



## **Disclosure Statement**

**May 31, 2021**

**215 Brightmore Drive  
Cary, North Carolina 27518  
(984) 200-3688**

**Unless earlier revised, this Disclosure Statement will remain effective until October 31, 2022. Delivery of this Disclosure Statement to a contracting party prior to execution of a contract for the provision of continuing care is required by North Carolina law. This Disclosure Statement has not been reviewed or approved by any governmental agency or representative to ensure accuracy or completeness of the information set out.**

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### Exhibits:

Exhibit A:	Audited Financial Statements
Exhibit B:	Actual versus Projected Results
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Exhibit D:	5-Year Prospective Financial Projections
Exhibit E:	Contract for Independent Living Continuing Care
Exhibit F:	Historical Average Dollar Amount of Increases in Fees

## I. Introduction

The Templeton of Cary (the “CCRC” or the “Community”) is a continuing care retirement community which offers its residents (“Residents”) one hundred ninety-nine (199) independent living rental apartments (each an “Apartment”) located in an independent living facility (the “Independent Living Building”), a wide array of services, a clubhouse (the “Clubhouse”), and the security of access to an adjacent one hundred twenty (120) bed healthcare center (the “Healthcare Center”). The Community is situated on an approximately 15.5-acre campus located in Cary, North Carolina (the “Site”). As of February 28, 2021, there were fifty-three (53) independent living residents under Residency and Care Agreements.

## II. Organization, Ownership and Management

### A. Organization

Cary Senior Housing I OPCO, LLC (“Cary OPCO” or the “Company”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of leasing and operating a continuing care retirement community. The business address of the Company is One Town Center Road, Suite 300; Boca Raton, Florida 33486. Cary OPCO is solely owned by Cary Senior Housing I JV OPCO, LLC (“Cary Joint Venture OPCO”). Cary Joint Venture OPCO is the only entity having, directly or indirectly, a ten percent (10%) or greater beneficial interest in Cary OPCO. In February 2020, the North Carolina Department of Insurance issued a conditional certificate to Cary OPCO, which allowed Cary OPCO to open and provide continuing care with certain reporting requirements until break-even occupancy is attained.

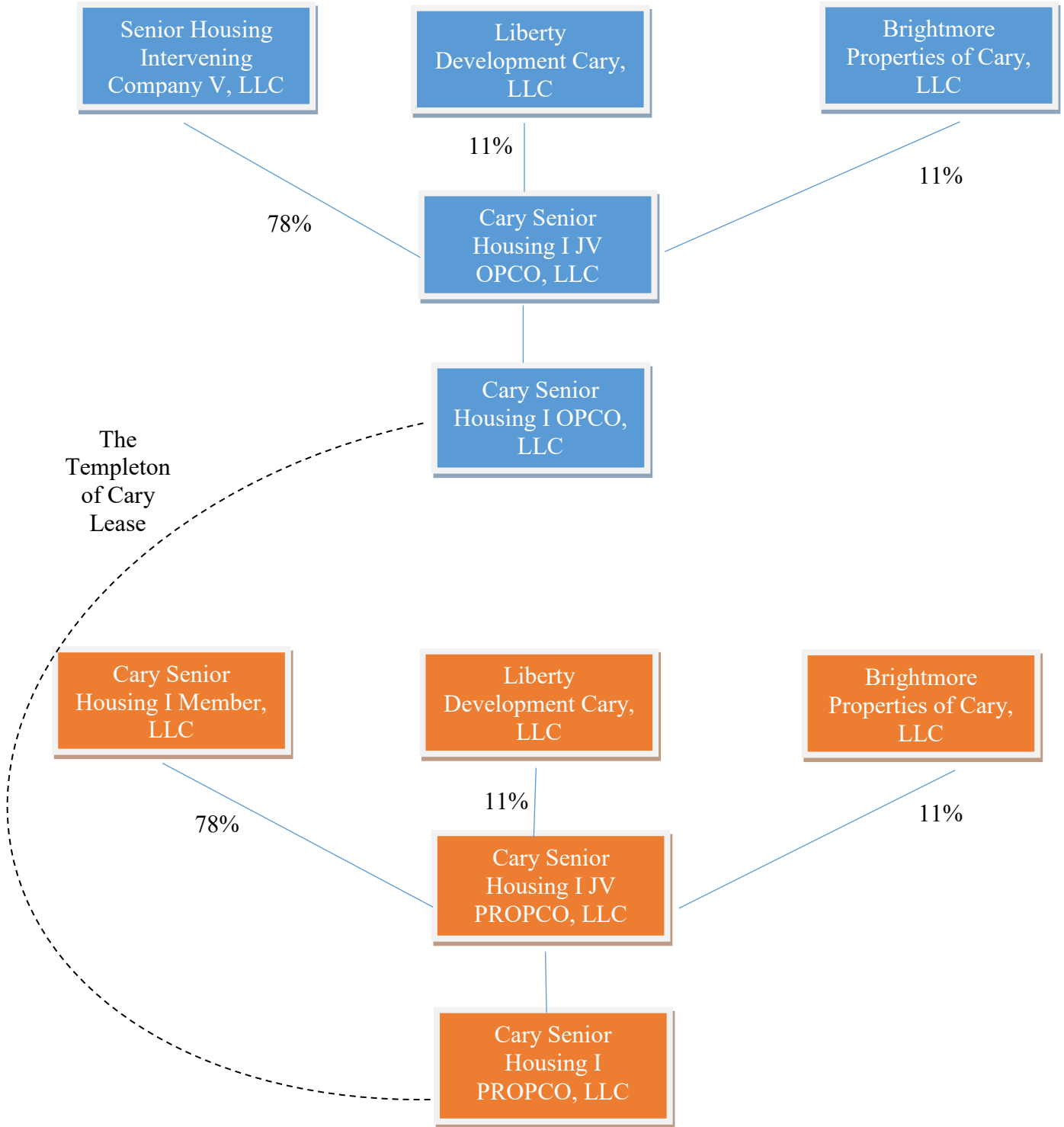
### B. Facility Ownership

Cary Senior Housing I PROPCO, LLC (the “Cary PROPCO”) is a Delaware for-profit limited liability company registered to do business in North Carolina formed for the purpose of developing and owning real property and the buildings of the Company.

Cary PROPCO purchased the Site in January 2017, together with all of the improvements comprising the Company. Cary PROPCO and the Company have executed a lease agreement (the “The Templeton of Cary Lease”) for the Company’s use and operation of the Independent Living Building, the Clubhouse, the Healthcare Center, and the associated common areas. The Templeton of Cary Lease has a term of ten (10) years and rent under the lease is in an amount sufficient to satisfy the debt service coverage ratio required by Cary PROPCO’s lender. Cary PROPCO is responsible for constructing, at Cary PROPCO’s sole cost and expense, all of the improvements leased pursuant to The Templeton of Cary Lease.

See the organization/ownership chart below.

## Organization/Ownership Chart



C. Healthcare

The CCRC provides the Resident temporary or permanent assisted living services and skilled nursing services in the beds located within the Healthcare Center. The Healthcare Center is licensed for ninety-two (92) assisted living beds and twenty-eight (28) skilled nursing beds. Fifty-two (52) of the assisted living beds and three (3) of the skilled nursing beds are reserved for the Residents of the CCRC (the “Closed Beds”). The remaining Healthcare Center beds are available to the public (the “Open Beds”). Ten (10) of the assisted living beds are be operated as multi-unit assisted housing with services. In the event that the Closed Beds are fully occupied, the Resident will be given priority access to the available Open Beds.

D. Management

The Company operates the CCRC. No other person or entity referred to herein has assumed any financial responsibility for the fulfillment of the Company’s agreements or obligations, except as otherwise stated.

*Brightmore Senior Living of Cary, LLC*

Brightmore Senior Living of Cary, LLC (“Brightmore Senior Living”) is a North Carolina for-profit limited liability company formed for the purpose of providing staffing and payroll management services to the Company and providing property management services to Cary PROPCO.

The Company has executed a staffing agreement (the “Staffing Agreement”) with a fee of five percent (5%) of total revenues derived from independent living units and six percent (6%) of total revenues derived from assisted living beds, memory care beds, and skilled nursing beds paid to Brightmore Senior Living.

*Liberty Living Management, LLC*

Liberty Living Management, LLC (“Liberty Living Management”) has executed a management agreement with Brightmore Senior Living in which Brightmore Senior Living pays Liberty Living Management fees equal to the fees derived from the Staffing Agreement. Liberty Living Management’s headquarters are at 2334 S. 41<sup>st</sup> St., Wilmington, NC 28403. The following individuals are key managers or corporate executives:

1. John A. McNeill, Jr. and Ronald B. McNeill

John A. McNeill Jr. and Ronald B. McNeill are managers of Liberty Development Cary, LLC as well as managers of Liberty Living Management.

John (“Sandy”) A. McNeill, Jr. is a pharmacist by training and has had many years of business experience in the health care field. He has opened

and operated four pharmacies and developed Medi-Care Supply Company from a relatively small operation with one location in 1975 to a multi-million dollar corporation with 16 locations when it was sold in 1986 to a Fortune 500 company.

Ronald (“Ronnie”) B. McNeill is a Registered Professional Engineer with a Master’s Degree in Business Administration. He brings technical, financial and health care insurance reimbursement expertise to the project. He previously served as Chief Financial Officer and Billing Manager of Medi-Care Supply Company. He contributes his substantial expertise in financial management and cost control to the efficient operation of the organization.

Together the McNeill’s purchased their first nursing home in 1990, but the McNeill family’s healthcare heritage dates all the way back to 1870 beginning with their great-grandfather. Over the last three decades the Liberty Healthcare Group has grown from a single nursing home to a fully integrated post-acute healthcare provider, which includes numerous nursing homes, assisted living facilities, independent living communities, continuing care retirement communities, and a home health and hospice company with several locations servicing various urban and rural counties in North Carolina, South Carolina, and Virginia. The McNeill family also operates a durable medical equipment company under the Liberty family as well as a retail and a long-term care pharmacy. The McNeill family comes from a tradition of service, dating back generations, and Sandy and Ronnie continue that tradition today as principals of one of the largest and most comprehensive healthcare companies in the state.

2. William B. Purvis

William (“Will”) Purvis is a Manager of Liberty Development of Cary and President of Liberty Senior Living in Wilmington, North Carolina. He manages business development as well as capital financing for the Liberty companies. Prior to moving to Wilmington, Will worked with Grandbridge Real Estate Capital, a subsidiary of BB&T. Will was responsible for commercial mortgage production for the Eastern, Northeast and Triangle regions of the bank’s network.

Will received a B.S. in Business Management from North Carolina State University and a Masters of Business Administration from Wake Forest University. He serves on the Senior Housing Product Council of Urban Land Institute, the Board of Directors for Cape Fear Council Boy Scouts of America, New Hanover Regional Medical Center Foundation, Wilmington Chamber of Commerce, and North Carolina Coastal Land Trust.

3. Cindy Stancil

Cindy Stancil, LNHA is the President of Operations of Liberty Living Management. Cindy started her career in assisted living as the Administrator of Northridge Retirement Village in Raleigh, North Carolina in 1985. After four years of service, she moved to Wilmington, North Carolina, to open a new assisted living community, Liberty Commons Assisted Living. Over the past 30 years, Mrs. Stancil's responsibilities have grown from being the Administrator of an assisted living community to budgeting and training, policy and procedures development and implementation, research, design and development of nursing home, independent, and assisted living projects.

Cindy has served as a Board Member of the North Carolina Assisted Living Association as current Secretary and past President. She has worked in Task Force groups such as "The Star Rating program", the MUST pre-screening form, etc. with the Medical Care Commission, Division of Medical Assistance and Division of Health Services Regulation. Mrs. Stancil is a Licensed Assisted Living Administrator as well as a Licensed Nursing Home Administrator.

4. Nicole Cook

Nicole Cook, RN LNHA provides operational support to Liberty Living Management team in the role of Regional Operations Manager. Nicole is a native of Nashville, Tennessee, educated in North Carolina and has enjoyed a career in Healthcare for over 25 years. Nicole is an RN and is also licensed as a Nursing Home Administrator. Spending her career in both clinical and operational management, Nicole brings years of patient care and operational leadership to the team. With a passion for customer service and a dedication to quality patient care, she is active in ensuring that our Liberty Living communities provide the best possible experience for those we serve. Nicole resides in Wilmington, NC with her husband and daughter.

*Facility Management*

Krista Lemery. Krista Lemery serves as the Executive Director of The CCRC. She is originally from Colchester, Vermont and resides in Cary, North Carolina. Krista is a Social Worker who has worked in the senior living industry for over 16 years. She holds a Master's Degree in Health Services Administration and is a Licensed North Carolina Assisted Living Administrator.

E. Related Parties

The CCRC is managed and operated by various related parties pursuant to agreements entered into between those parties and the CCRC. These transactions are considered related party transactions and are settled through related party cash accounts and payments to the other entities.

F. Legal Disclaimer

Neither the managers nor any principals of the Company (i) have been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable or enjoined in a civil action by final judgment for a felony or civil action involving fraud, embezzlement, fraudulent conversion, or misappropriation of property or (ii) are subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by any governmental agency or department, arising out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to N.C.G.S. Section 58-64 or similar law in another state.

No professional service firm, association, trust, partnership, or corporation other than those stated above, in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within any year.

G. Affiliations

The Company is a private independent, for-profit limited liability company, which is not affiliated with any religious, charitable or other affinity group.

**III. Facility Description and Amenities**

A. Location

The Community is located on an approximately 15.5-acre site, having an address of 215 Brightmore Drive, Cary, North Carolina and is situated within a larger medical park development that will also include additional medical office buildings. The site is a mixed use development that includes a variety of residential choices, shops, and restaurants.

B. Layout and Types of Accommodations

Accommodations of the CCRC include one hundred ninety nine (199) Apartments within the Independent Living Building with one and two bedroom floor plans that



range from approximately 687 to 1,599 square feet. The CCRC is able to accommodate up to two hundred seventy-two (272) Residents, all of whom are provided services pursuant to their respective Residency and Care Agreements. Subject to the terms and conditions of the Residency and Care Agreement and the limits of the Company's license, a full continuum of healthcare services is provided in the Healthcare Center. In addition, in the event the Closed Beds are fully occupied, Residents will be given priority access to the available Open Beds.

C. Amenities

1. Clubhouse. The Clubhouse is a social center for Residents to gather. The Clubhouse features opportunities for formal and informal dining, a pub, wireless internet, a business center, billiards and card rooms, and a multi-purpose room.
2. Wellness Center. The on-site wellness center (the "Wellness Center") provides an array of wellness programs for the Residents. Facilities and services include state-of-the-art fitness equipment, exercise classes, indoor heated pool and certain wellness education programs.

IV. **Services**

A. Basic Services. Subject to the terms and conditions of the Residency and Care Agreement, the following basic services (collectively "Basic Services") are included in the Monthly Service Fee (defined below):

1. Appliances and Furnishings. The Apartments shall include the following appliances and furnishings: window coverings; standard flooring; appliances, including an electric range/self-cleaning oven, refrigerator/freezer with icemaker, garbage disposal, microwave, dishwasher, washer and dryer; smoke and fire detectors; an individual climate control system; an individual hot water heater; a 24-hour emergency call system and other permanent fixtures. All other appliances and furnishings for the Apartments not listed above are to be provided by the Resident.
2. Utilities. Included with residency in an Apartment are heating, air conditioning, water, sewer, gas, electricity, basic cable television, trash removal and pest control.
3. Meals. As part of the Monthly Service Fee, the Resident shall be given a monthly declining balance meal plan credit (the "Declining Balance Meal Credit"). The Resident shall be entitled to dine in any of the CCRC's dining options and charges for the food and beverages, except for alcoholic beverages, of the Resident or of any guest of the Resident shall be deducted from such Declining Balance Meal Credit. Upon termination of the Residency and Care Agreement, any unused portion of the

Declining Balance Meal Credit shall be forfeited. If the monthly charges of the Resident exceed the amount of the monthly Declining Balance Meal Credits, such additional charges shall be billed to the Resident on a monthly basis.

4. Maid Service. The Resident agrees to keep the Apartment in a clean and orderly condition. On a weekly basis, the Company will provide basic housekeeping services in the Apartment.
5. Maintenance Services. The Company will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned or leased by the Company for use in the CCRC. The Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the Resident, the Resident's guests or the Resident's pets. The Resident will be responsible for the maintenance and repair of their personal property.
6. Grounds Keeping. The Company will maintain and repair the CCRC's grounds, including lawns, trees and shrubbery. Personal plantings and customization of landscaped areas are subject to the Company's approval.
7. Use of Community Common Areas. The Resident has the non-exclusive right, along with other residents, to use the CCRC's common areas, including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreational rooms and designated outdoor activity areas.
8. Use of the Wellness Center. The Company will provide health and wellness programs and services at the on-site Wellness Center, including use of fitness equipment, exercise classes, use of an indoor heated pool and certain wellness education programs. The Resident will be advised of any required fee for a wellness program before enrolling in such program.
9. Programs. Recreational, social, educational and cultural activities will be coordinated by the CCRC's staff. Some activities are subject to an additional charge.
10. Parking. The Company will provide parking areas for one personal vehicle per Resident and limited parking for the Residents' guests.
11. Transportation. The Company will provide scheduled transportation to locations routinely visited by Residents of the CCRC, such as shopping centers, medical offices and social events. Some transportation is subject to an additional charge.
12. Emergency Response System. The Company will provide, on a twenty-four (24) hour basis, an emergency call system. Response to a call shall

be limited to an evaluation of the Resident's needs. If other medical response is determined necessary, the Resident is responsible for any costs associated with such other medical response, including emergency medical transportation.

13. Insurance. The Company will maintain general liability and hazard insurance on the property within the CCRC owned or leased by the Company, but will not be responsible for the Resident's personal property.

B. Optional Services. A schedule of fees for services provided at extra cost including, but not limited to, those optional services described below (collectively "Optional Services"), shall be established by the Company and shall be made available to the Resident. The Optional Services currently expected to be offered by the Company include the following:

1. Transportation Services. If a Resident requests transportation in addition to that provided as a Basic Service, the Company may provide such transportation provided that the Company has adequate transportation staff available at such date and time and to destinations that the Company identifies as being within the geographic area of transportation services.
2. Food Services. If a Resident requests food services or catered services in addition to those provided as a Basic Service, the Company may provide such additional food services or catered services for an additional cost.
3. Tray Service. Residents may request that meals be delivered to the Apartment ("Tray Service") for a delivery charge; provided, however, that the Tray Service may not be requested for more than three (3) consecutive days except at a physician's or nurse's direction.
4. Activities. Due to their special nature, a special fee may be required for some wellness and life enrichment programs.
5. Additional Maid Service. If a Resident requests or requires housekeeping services in addition to those provided as a Basic Service, the Company may provide such services if staff is available to provide such services.
6. Spa Services. Spa and personal care services in the Wellness Center will be available in accordance with a published fee schedule.
7. Upgraded Television Channels. Upgraded television channels will be available to the Resident in accordance with a published fee schedule.
8. Additional Parking. Additional parking, including garage parking if available, may be made available to the Residents in accordance with a published fee schedule.

9. Personal Emergency Transmitter. The provision of a Personal Emergency Transmitter (“PET”) which shall transmit to the CCRC’s Concierge Desk.

C. Healthcare

The CCRC will provide healthcare services to the Resident in the Healthcare Center. Care in the Healthcare Center will only be provided within the limits of the Company’s license. Hospital-level services are not provided within the Healthcare Center. Such level of care must be obtained from a hospital. The costs related to any hospitalization are the responsibility of the Resident.

The Healthcare Center’s Medical Director will determine the appropriate level of nursing care required by the Resident upon admission to the Healthcare Center. Residents who are unable to return to their Apartment will have the benefit of permanent care in the Healthcare Center. If the appropriate level of healthcare based upon the needs of the Resident may not be obtained or are not provided within the Healthcare Center, such level of care must be provided by another provider of healthcare services, including, but not necessarily limited to, a hospital, and the costs of those services are the responsibility of the Resident. The Resident (i) acknowledges and agrees that the Company will not be responsible for any claims, damages or expenses resulting from injury or death suffered by the Resident which is caused by, attributable to or in any way connected with the negligence or intentional acts or omissions of the physicians, employees or agents of such any such other provider of healthcare services and (ii) releases the Company from liability for any such claims, damages or expenses.

**V. Expansion/Development**

The CCRC opened one hundred ninety-nine (199) independent living rental apartments in June 2020 and opened a one hundred twenty (120) bed healthcare center in July 2020. Planned future phases of the Community may include the construction of up to an additional sixty five (65) Apartments. The additional Apartments will be constructed as dictated by demand for residency in the Community. The expected date for commencement of such construction is not known at this time.

**VI. The Continuing Care Concept**

The Company’s continuing care concept ensures a Resident, so long as the Resident is in compliance with the Residency and Care Agreement, residence in an Apartment, a wide array of personal services and long-term nursing care in the Healthcare Center if the Resident can no longer live independently.

**VII. The Residency and Care Agreement**

To reside in an Apartment the prospective Resident and the Company will enter into a Residency and Care Agreement (the “Residency and Care Agreement”). A copy of the Residency and Care Agreement applicable to the Apartments is attached hereto as Exhibit

E. As outlined in the Residency and Care Agreement, residency in the CCRC provides the Resident with use of the CCRC's common facilities, the Basic Services described above and healthcare in the Healthcare Center when the Resident is no longer capable of independent living. To the extent the terms of the Residency and Care Agreement differ from the summary contained in this Disclosure Statement, the terms of the Residency and Care Agreement shall control. The basic terms and conditions contained in the Residency and Care Agreement are summarized as follows:

- A. Term. The initial term of the Residency and Care Agreement shall be for thirteen (13) months beginning on the Occupancy Date. After the initial term, the Residency and Care Agreement will automatically renew for additional thirteen (13) months periods, unless terminated as set forth in the Residency and Care Agreement.
  
- B. Eligibility Requirements. Eligibility for residency in the Community is conditioned upon, among other things more particularly described in the Residency and Care Agreement, the following:
  - 1. Age Criteria. The requirements for admission into the CCRC are nondiscriminatory except as to age. Admission is restricted to persons sixty-two (62) years of age or older with the exception of a younger second occupant. An underage second occupant may be approved for residency in the Apartment in the Company's sole discretion but must, at a minimum, be fifty (50) years of age and meet the other requirements for residency in the CCRC. The Company reserves the right to limit the number of Residents under the age of sixty-two (62) that will live in the CCRC.
  
  - 2. Preliminary Health Screen. The Resident must be capable of living independently and must satisfy the then current independent living criteria as published by the Company, which criteria may be amended from time to time in the Company's sole discretion. The Resident shall provide to the Company an internal preliminary health screen substantially in the form attached to the Apartment Selection Agreement executed by the Resident and the Company, completed by the Resident's primary physician and certifying that the Resident meets the independent living criteria within the period outlined in the Residency and Care Agreement.
  
  - 3. Financial Condition. The Company must be satisfied that the Resident has the financial income and assets to pay the Monthly Service Fee, extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of the Residency and Care Agreement. Immediately prior to the Occupancy Date (as defined in the Residency and Care Agreement), the Resident will affirm to the Company that the Resident's financial situation does not differ materially and adversely from the financial situation presented in the Application Forms (substantially in the form attached to the Apartment Selection Agreement). If the Resident's then personal financial

situation differs materially and adversely from the Resident's prior financial situation, the Company may terminate the Residency and Care Agreement. After the Occupancy Date, the Company may require updated financial information. In the case of two Residents occupying an Apartment, and in the event of the death of one of the occupants, the surviving Resident will be required to submit an update of the original Application Forms within thirty (30) days after the Company's request for the same.

- C. Priority Partner Agreement. A prospective resident may execute a Priority Partner Agreement (the "Priority Partner Agreement") with the Company to be placed on the waiting list for an Apartment.
- D. Apartment Selection Agreement. At the time of selecting an Apartment, the Resident shall execute an Apartment Selection Agreement ("Apartment Selection Agreement") and submit it to the Company along with an Apartment Selection Fee and Community Fee, as defined in the Residency and Care Agreement.
- E. Residency and Care Agreement. Within seven (7) days of executing an Apartment Selection Agreement, the Resident shall execute a Residency and Care Agreement.
- F. Changes to Apartment. Any structural or physical change or redecoration and remodeling of any kind within or outside the Apartment may only be made by the Resident only with the prior written consent of the Company, which shall be granted at the Company's sole discretion, and at the sole expense of the Resident. All such improvements or changes shall be the property of the Company. Upon vacating the Apartment, the Resident, or the Resident's estate, shall be responsible for the costs of returning the Apartment to the condition that existed prior to the Resident taking possession of the Apartment.
- G. Changes in Condition Prior to Occupancy. If after the execution of the Residency and Care Agreement and prior to the Occupancy Date the Resident's health or mental condition is such that, in the sole discretion of the Company, the Resident no longer meets the qualifications to live independently in the CCRC, and the Residency and Care Agreement is not otherwise terminated, the Resident may be transferred directly to the Healthcare Center. All fees and other charges due must be paid prior to any direct transfer. In the event there is more than one Resident occupying the Apartment, and one Resident is transferred directly to the Healthcare Center, the other Resident shall continue to be obligated under the Residency and Care Agreement and pay the required Monthly Service Fee applicable to a single Resident.
- H. Fees and Billing. The Resident shall be required to pay the Monthly Service Fee and other fees as set forth in the Residency and Care Agreement. Fees payable by the Resident are described in more detail below.

- I. Permitted Occupants. The Resident(s) named in the Residency and Care Agreement and no other person shall reside in or occupy the Apartment during the term of the Residency and Care Agreement, except with the express prior written approval of the Company. If a second occupant who is not a party to the Residency and Care Agreement is accepted for residency in the CCRC after the date of the Residency and Care Agreement, such acceptance shall be subject to the approval of the Company and adherence to policies then governing all other admissions and such second resident shall enter into a Residency and Care Agreement. If the second occupant does not meet the requirements for residency, or does not execute a Residency and Care Agreement, he or she shall not be permitted to occupy the Apartment.

A second occupant includes, but is not limited to, a spouse as defined by State statute.

- J. Transfers. Should the Resident desire to transfer to another Apartment, the Resident must notify the Company in writing. Following receipt of this request, and subject to availability, the Company may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. With all transfers, there will be an up-fitting charge for the vacated residence based on the current rate established by the CCRC at the time of the transfer. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.
- K. Death or Transfer of One Resident. If one of the Residents named in the Residency and Care Agreement dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of the Residency and Care Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.
- L. Smoking Policy. The CCRC is smoke-free. No smoking is permitted in the Apartment (to include balconies) or in any other building or location in or on the CCRC's premises. The Resident agrees to abide by the CCRC's Rules and Regulations concerning smoking.
- M. Pets. Subject to the prior written consent of the Company, which such consent shall be at the sole and absolute discretion of the Company, pets may be permitted in the Apartments. All pets must be on a leash at all times while not in a Resident's Apartment. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Resident must provide the Company with documentation that their pets have received all required shots and immunizations. The Resident is responsible for any costs expended by the Company for the failure of such Resident to adhere to the CCRC's pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in the dining

spaces, the Wellness Center, the multipurpose room, the chapel, and the art space and activity rooms. The Resident understands and agrees that the pet must be removed from the Apartment, upon fourteen (14) days' prior written notice from the Company, if the pet becomes a nuisance to other Residents of the CCRC, as determined by the Company in its sole and absolute discretion. The Resident agrees that if the Resident has been approved to have a pet living in the Apartment, and elects to do so, the Resident shall pay a non-refundable pet fee in the amount posted at the time the pet is registered.

N. Health Insurance. Prior to the Occupancy Date, the Resident shall provide evidence of health insurance coverage to the Company at a level reasonably satisfactory to the Company.

O. Termination

1. Termination by Resident. Upon the termination of the Residency and Care Agreement, the Resident shall have no further right to reside in the CCRC. The Residency and Care Agreement may be terminated or cancelled by the Resident under the following terms and conditions:

(a) Rescission During First Thirty (30) Days. The Resident may terminate the Residency and Care Agreement for any reason within thirty (30) days following the later of the execution of the Residency and Care Agreement or receipt by the Resident of the Disclosure Statement (the "Rescission Period"), and the Resident is not required to move into the facility before expiration of the Rescission Period. The Resident's termination of the Residency and Care Agreement during the Rescission Period is without penalty, and all payments made by the Resident before such termination, less a service charge of One-Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at the Resident's request and set forth in Exhibit A of the Residency and Care Agreement or in writing in a separate addendum to the Residency and Care Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company receives written notice of the Resident's election to terminate the Residency and Care Agreement.

(b) Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior the Occupancy Date upon written notice to the Company. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to the Company, except, as the case may be, the Community Fee, the Apartment Selection Fee, and any costs or other charges that the Resident and the Company agree in advance are non-refundable.



- (c) General Termination Right. The Resident may terminate the Residency and Care Agreement at any time for any reason by giving the Company thirty (30) days' written notice signed by the Resident (or both of them if there are two Residents). In the event of such termination by a Resident for reasons other than those permitted in the Residency and Care Agreement, the Resident shall pay the Company for all Optional Services rendered by the Company to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment. In addition, the Resident shall be responsible for payment of liquidated damage of one month's rental charge, calculated at the existing market rate.

2. Termination by Death or Serious Illness

- (a) Termination by Death or Serious Illness Prior to the Occupancy Date. If prior to the Occupancy Date the Resident dies or is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, non-qualification or incapacity, the Residency and Care Agreement will automatically terminate. In the event the Residency and Care Agreement is terminated as provided for in the Residency and Care Agreement, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to the Company, except, as the case may be, a service charge of One-Thousand Dollars (\$1,000.00) and for costs or other charges that the Resident and the Company agree in advance are non-refundable. Such refund shall be paid by the Company within thirty (30) days after the Residency and Care Agreement is terminated pursuant to the applicable subsection of the Residency and Care Agreement. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for in the Residency and Care Agreement.
- (b) Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of the Residency and Care Agreement as a result of serious illness, injury, or incapacity and the serious illness, injury or incapacity is not otherwise addressed by the provision of the Residency and Care Agreement, then the Residency and Care Agreement shall terminate. In such event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service

Fee until the later of the date that all of the Resident's personal belongings are removed from the Apartment and the Apartment can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, the Residency and Care Agreement will continue to be binding on the surviving or eligible Resident until the Residency and Care Agreement is terminated as to or by the surviving Resident as provided for in the Residency and Care Agreement.

3. Termination by the Company

- (a) Termination by the Company Prior to the Occupancy Date. If, in the Company's sole discretion, the Resident does not satisfy the criteria for occupancy in the CCRC, the Residency and Care Agreement shall terminate upon the Company's notification to the Resident of non-approval. In such event, all amounts paid to the Company shall be refunded to the Resident within thirty (30) days after the Company provides the Resident notice of non-approval.
- (b) Termination by the Company after the Occupancy Date. The Company may terminate the Residency and Care Agreement upon thirty (30) days written notice to the Resident in the event of the following:
  - (1) The Resident fails to make payments to the Company of any amounts when due and such failure is not cured within fifteen (15) days after notice is given to the Resident;
  - (2) The Resident fails to comply with any term of the Residency and Care Agreement not involving the payment of money or any provisions of the Rules and Regulations and the Resident fails to cure such non-compliance within seven (7) days after written notice from the Company; or
  - (3) The Resident or the Resident's authorized representative makes a material misrepresentation or omission in the information provided to the Company for its consideration of the Resident for residency in the CCRC.
- (c) Immediate Termination. If the Company determines in its sole and absolute discretion that a Resident's behavior interferes with or threatens to interfere with the safety of the Resident or the quiet enjoyment or safety of other Residents, visitors and/or staff of the CCRC, or if the Resident's behavior is a detriment to other residents, visitors, and/or staff of the CCRC, the Company may immediately terminate the Residency and Care Agreement and the Resident shall promptly vacate the Apartment. In such event, the Resident shall pay

the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until all of the Resident's personal belongings are removed from the Apartment.

- (d) Effect of Termination by the Company after the Occupancy Date. In the event the Company terminates the Residency and Care Agreement after the Occupancy Date pursuant to the applicable subsections of the Residency and Care Agreement, the Resident shall promptly vacate the Apartment, but shall pay the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment.

### VIII. Fees

The following is a list of the fees and charges expected to be charged to the Residents of the CCRC:

- A. Priority Deposit. Upon the execution of the Priority Partner Agreement, the prospective resident shall submit to the Company a payment of One-Thousand Dollars (\$1,000.00) (the "Priority Deposit"). The Priority Deposit is fully refundable should the prospective resident choose not to proceed with the reservation process and not enter into a Residency and Care Agreement for any reason. The Priority Deposit will be fully applied toward the Security Deposit should the prospective resident proceed with the reservation process and execute a Residency and Care Agreement.
- B. Apartment Selection Fee. Upon the execution of the Apartment Selection Agreement, the Resident shall submit to the Company a fee equal to one Monthly Service Fee payment (the "Apartment Selection Fee"). The Apartment Selection Fee is a non-refundable fee (except as defined in the Residency and Care Agreement) and shall be fully applied toward the first month's Monthly Service Fee.
- C. Community Fee. Upon the execution of the Apartment Selection Agreement, the Resident shall submit to the Company a fee equal to one Monthly Service Fee payment (the "Community Fee"). The Community Fee is a one-time, non-refundable fee (except as defined in the Residency and Care Agreement) which entitles the Resident priority access to all services and amenities of the Community. A Community Fee will not be charged to Residents upon any renewal of the Residency and Care Agreement.
- D. Security Deposit. Upon the execution of the Residency and Care Agreement, the Resident shall make a Security Deposit payment to the Company equal to one Monthly Service Fee payment (the "Security Deposit"), which shall be deposited

in accordance with statute, law or regulation of the federal, state, and local Government. If the Resident has complied with all terms of the Residency and Care Agreement and returns the Apartment in the same or materially similar condition as when the Resident moved into the Apartment, the Company will return the Security Deposit to the Resident within thirty (30) days after the Resident's move-out date. The Security Deposit shall be credited to the Resident as the last Monthly Service Fee payment in the event of the Resident's death. In the event that the Resident breaches or otherwise violates the Residency and Care Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to the Company. The Resident is additionally responsible for any expense incurred by the Company resulting from damages to the Apartment that are in excess of the Security Deposit. In the event that the Resident has entered into a Priority Partner Agreement and paid a refundable deposit to the Company, the Priority Deposit shall be applied to the amount due as the Security Deposit.

- E. Monthly Service Fee. Throughout the Term, the Resident shall pay to the Company a Monthly Service Fee (the "Monthly Service Fee") as described in Exhibit A attached to the Residency and Care Agreement. The Monthly Service Fee shall be paid by the Resident on or before the fifth (5<sup>th</sup>) day of each month for Basic Services to be rendered that month with the first payment due on or before the Occupancy Date. The Monthly Service Fee shall be due regardless of whether or not the Apartment is actually occupied by the Resident on the scheduled Occupancy Date and such Monthly Service Fee will not be adjusted if the Resident is voluntarily absent from the CCRC at any time after such date. If the Resident obtains possession of the Apartment prior to the first of a month, the Resident shall pay the Company the first Monthly Service Fee on a pro-rata basis based on the actual number of days contained in the month. If the Residency and Care Agreement does not terminate at the expiration of the initial Term or a renewal Term, the Monthly Service Fee may continue to be payable beyond the date of termination as set forth in the Residency and Care Agreement.
  
- F. Adjustments to Monthly Service Fees. The Company reserves the right to change the amount of the Monthly Service Fee upon thirty (30) days' written notice prior to any renewal of the Residency and Care Agreement. Adjustments to the Monthly Service Fee will be made as may be reasonably necessary according to the economic requirements and conditions of the CCRC and the level and quality of services provided to the residents of the CCRC and consistent with operating on a sound financial basis. See Exhibit F for five years of the historical average dollar amount of increases in fees.
  
- G. Fees for Optional Services. The Resident shall receive a monthly statement from the Company showing the total amount of fees and other charges owed by the Resident, which shall be paid by the fifth (5<sup>th</sup>) day of each month. A list of fees for recurring Optional Services the Resident has elected to purchase as of the date of the Residency and Care Agreement shall be attached to the Residency and Care Agreement as Exhibit A.

- H. Healthcare Center Fees and Charges. The Healthcare Center will consist of accommodations, equipment and staffing necessary for assisted living, assisted housing with services, skilled nursing care and memory care services on a temporary or permanent basis. The Company shall establish and publish per diem rates for accommodations and services at the Healthcare Center. Each calendar year, the Resident shall receive a ten percent (10%) discount on fees the Resident accrues during its first thirty (30) days of residency in the Healthcare Center (each day being a “Discounted Fee Day”). The Resident may not carry any unused Discounted Fee Days over to the following calendar year. Fees for residency in the Healthcare Center shall otherwise be payable in accordance with the Residency and Care Agreement and in accordance with the then published Healthcare Center per diem charge.
- I. Refund of Fees. If the Resident cancels during the Rescission Period as defined in the Residency and Care Agreement, the Priority Deposit, Apartment Selection Fee, Community Fee, and Security Deposit (and any other fees paid by Resident) in accordance with the Residency and Care Agreement will be refunded to the Resident, without interest, less a service charge of One Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at the Resident’s request and set forth in Exhibit A of the Residency and Care Agreement or in writing in a separate addendum to the Residency and Care Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company’s receipt of the Resident’s written notice of rescission. The Apartment Selection Fee and the Community Fee become non-refundable after the Rescission Period. The Security Deposit is refundable and will be returned to the Resident within thirty (30) days after the Resident’s move-out date if the Resident has complied with all terms of the Residency and Care Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment. If the Resident breaches or otherwise violates the Residency and Care Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to the Company.
- J. Late Charges. The Company will charge a one percent (1%) late payment charge per month on any Monthly Service Fees and extra charges that have not been paid within five (5) days after their due date.

## **IX. Financial Information**

- A. Audited Financial Statements. Audited financial statements of the Company as of and for the year ended December 31, 2020 are included as Exhibit A.
- B. Actual versus Projected Results. A narrative of material differences between the previously projected financial statements and actual results of operations for the year ended December 31, 2020 for the Company are included in Exhibit B.
- C. Interim Financial Statements. Interim financial statements for the three-month period ended March 31, 2021 for the Company are included as Exhibit C.

- D. Five-Year Prospective Financial Statements. Financial projections for each of the five years ending December 2025 for the Company as compiled by an independent public accountant are included as Exhibit D.
- E. Reserves, Escrow and Trusts. North Carolina law requires continuing care retirement communities such as the Community to maintain operating reserves equal to fifty percent (50%) of the total operating costs in a given year, or twenty-five percent (25%) of such total operating costs if occupancy as of a certain date exceeds ninety percent (90%) of the Community's capacity (such reserve amount is referred to herein as the "Statutory Reserve"). This law provides security to the Residents that the Company will be able to meet its contractual obligations to provide continuing care. The Company's Statutory Reserve will be maintained through a letter of credit issued by a financial institution approved by the North Carolina Department of Insurance (the "Letter of Credit"). The Letter of Credit will name the Company as the beneficiary and be in an amount sufficient to satisfy the Statutory Reserve requirement.

During the Fill-up Period, all Priority and Security Deposits received from prospective Residents will be held in escrow with a state-chartered or federally-chartered bank. The escrowed funds may not be released to the Company until statutorily mandated levels of reserves are received and long-term financing is secured. If the Company fails to meet these pre-opening financing obligations, the bank shall return the escrowed monies to the prospective Residents. These statutorily mandated financing levels are detailed in the North Carolina General Statutes at §58-64-35.

**X. Other Material Information**

None.

EXHIBIT A  
AUDITED FINANCIAL STATEMENTS  
[ATTACHED]

# **THE TEMPLETON OF CARY**

## **COMBINED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

*As of and for the Year Ended December 31, 2020*

*And Report of Independent Auditor*



**THE TEMPLETON OF CARY**  
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## Report of Independent Auditor

To the Members  
The Templeton of Cary  
Wilmington, North Carolina

We have audited the accompanying financial statements of The Templeton of Cary, a group of entities under common control, which comprise the combined balance sheet as of December 31, 2020, and the related combined statements of operations and changes in members' equity and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Templeton of Cary as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheets, combining statement of operations and changes in members' equity, and the combining statement of cash flows are presented for the purpose of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
April 6, 2021

**THE TEMPLETON OF CARY**  
**COMBINED BALANCE SHEET**

DECEMBER 31, 2020

**ASSETS**

Current Assets:

Cash	\$ 452,317
Restricted cash	190,449
Resident/patient accounts receivable, net	111,445
Accounts receivable - other	2,064
Prepaid expenses	160,400
Total Current Assets	<u>916,675</u>

Property and Equipment, Net	<u>105,566,443</u>
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Noncurrent Assets:

Intangible asset	1,406,920
Receivables - related parties	134,685
Other assets	53,289
Total Noncurrent Assets	<u>1,594,894</u>

<b>Total Assets</b>	<b><u><u>\$ 108,078,012</u></u></b>
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**LIABILITIES AND MEMBERS' EQUITY**

Current Liabilities:

Current portion of long-term debt	\$ 947,020
Deferred revenue - current portion	101,432
Accrued expenses and other payables	2,575,004
Total Current Liabilities	<u>3,623,456</u>

Noncurrent Liabilities:

Accounts payable - related parties	902,645
Deferred revenue, long-term portion	206,886
Long-term debt, net	72,626,215
Total Noncurrent Liabilities	<u>73,735,746</u>

Total Liabilities	77,359,202
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Members' Equity	<u>30,718,810</u>
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<b>Total Liabilities and Members' Equity</b>	<b><u><u>\$ 108,078,012</u></u></b>
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# THE TEMPLETON OF CARY

## COMBINED STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2020

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Revenues:	
Resident/patient revenue	\$ 679,304
Independent living revenue	1,019,656
Community fee amortization	23,702
Other revenue	56,369
Total Revenue	<u>1,779,031</u>
Expenses:	
Resident/patient services	1,384,597
Dietary	623,274
Laundry	47,289
Housekeeping	189,908
Plant operations	812,261
Physical plant	75,567
General and administrative	2,002,847
Management fees	95,324
Interest	2,022,383
Depreciation and amortization	2,131,187
Other expense	192,273
Total Expenses	<u>9,576,910</u>
Net Loss	(7,797,879)
Members' equity, beginning of year	36,685,350
Contributions	1,831,339
Members' equity, end of year	<u>\$ 30,718,810</u>

The accompanying notes to the combined financial statements are an integral part of this statement.

**THE TEMPLETON OF CARY**  
**COMBINED STATEMENT OF CASH FLOWS**

*YEAR ENDED DECEMBER 31, 2020*

**Cash flows from operating activities:**

Net loss	\$ (7,797,879)
Adjustments to reconcile net loss to net cash flows from operating activities:	
Depreciation and amortization	2,131,187
Amortization of debt issuance costs	295,736
Changes in operating assets and liabilities:	
Resident/patient accounts receivable, net	(111,445)
Accounts receivable - other	(2,064)
Prepaid expenses	(138,317)
Receivables - related parties	(108,269)
Other assets	(41,119)
Deferred revenue	180,878
Accrued expenses and other payables	(6,508,449)
Accounts payable - related parties	155,967
Net cash flows from operating activities	<u>(11,943,774)</u>

**Cash flows from investing activities:**

Purchases of property and equipment	<u>(7,805,368)</u>
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**Cash flows from financing activities:**

Proceeds from issuance of debt	18,072,225
Contributions from officers/members	1,831,339
Net cash flows from financing activities	<u>19,903,564</u>

Net change in cash and restricted cash	154,422
Cash and restricted cash, beginning of year	488,344
Cash and restricted cash, end of year	<u>\$ 642,766</u>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for interest	<u>\$ 2,718,544</u>
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**Reconciliation of cash and restricted cash to the combined balance sheet:**

Cash per combined balance sheet	\$ 452,317
Restricted cash per combined balance sheet	190,449
	<u>\$ 642,766</u>

# THE TEMPLETON OF CARY

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 1—Nature of operations

*Nature of Operations* – The Templeton of Cary (the “Company” or “CCRC”) is an economic entity comprised of three individual companies listed below. The Company was organized to provide senior living services in Cary, North Carolina. Services will include providing and maintaining 199-unit independent living rental apartments with assisted living services, skilled nursing care, and supporting services. The Company obtained their conditional license from the North Carolina Department of Insurance (“NC DOI”) in February 2020 and subsequently opened the facility.

Cary Senior Housing I PROPCO, LLC (“Cary PROPCO”) is a for-profit Delaware limited liability company registered to do business in North Carolina and formed for the purpose of developing and owning real property and the buildings of the Company. Cary PROPCO is owned by Cary Senior Housing I JV PROPCO, LLC, a Delaware limited liability company.

Cary Senior Housing I OPCO, LLC (“Templeton of Cary”) is a for-profit Delaware limited liability company registered to do business in North Carolina formed for the purpose of leasing and operating a continuing care retirement community known as The Templeton of Cary. The Company is solely owned by Cary Senior Housing I JV OPCO, LLC, a Delaware limited liability company.

Brightmore Senior Living of Cary, LLC (“Brightmore Senior Living”) is a for-profit North Carolina limited liability company formed for the purpose of employing the employees of Company and providing management services to the two entities listed above.

Cary PROPCO holds the certificate of need (“CON”) for 55 skilled nursing beds. The collective value of the CON is recorded as an intangible asset on Cary PROPCO.

### Note 2—Summary of significant accounting policies

*Principles of Combination* – The combined financial statements include the accounts of Cary PROPCO and Templeton of Cary, which are owned and controlled by the members of the limited liability companies, and Brightmore Senior Living who provides management services. All significant inter-company accounts and transactions have been eliminated. The combined financial statements do not and are not intended to represent the activity of a legal entity.

*Basis of Accounting* – The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

*Use of Estimates* – The preparation of combined financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

No assets or liabilities (real or contingent) of the individual member of any of the companies are included in the combined financial statements of the Company. Individual members are not liable for the Company’s debt.

# THE TEMPLETON OF CARY

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Cash and Cash Equivalents* – Cash includes deposit accounts and investments purchased with an original maturity of three months or less. There were no cash equivalents as of December 31, 2020.

*Restricted Cash* – Restricted cash includes patient trust fund and refundable security deposits (the “Security Deposit”) received from current residents and refundable priority deposits (the “Priority Deposit”) received from future residents, which are held in accordance with statute, law or regulation of the federal, state, and local government. The Priority Deposit will be applied to the Security Deposit paid by the resident upon execution of a Residency and Care Agreement. The liability associated with refundable Security Deposits and refundable Priority Deposits as of December 31, 2020 totaled \$89,000.

Restricted cash also includes a refundable deposit made to the NC DOI pursuant to the North Carolina Administrative Code (“NCAC”), 11 NCAC 11H .0102(3)(a)(iv). For continuing care facilities, in order to obtain a preliminary certificate of licensure, the NC DOI requires a deposit of either \$100 for each unit for 50% of the total proposed units, or \$100,000, whichever amount is more. The deposit is refundable upon receipt of a permanent license. The Company earns and recognizes interest income on the deposit.

*Property and Equipment, Net* – Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to operations.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization expense amounted to \$2,131,187 for the year ended December 31, 2020.

The estimated useful lives used in computing depreciation and amortization are as follows:

Buildings and improvements	5 to 40 years
Furniture and fixtures	5 to 20 years
Equipment	3 to 20 years

*Interest Capitalization* – Interest costs incurred on borrowed funds during the year of construction of property and equipment were capitalized as a component of the cost of acquiring those assets, and depreciated over their estimated useful lives by the straight-line method of depreciation. During the year ended December 31, 2020, total interest capitalized totaled \$676,843.

*Debt Issuance Costs, Net* – Loan origination costs are being amortized over the life of the loan utilizing a straight-line method which approximates the effective interest rate method. The amortization of these costs is included in interest expense in the statement of operations and changes in members’ equity. Amortization of loan origination costs was \$295,736 for the year ended December 31, 2020.

*Revenue Recognition* – The Company follows the guidance provided by Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* and uses a five-step model to apply to revenue recognition, consisting of: (1) determination of whether a contract, an agreement between two or more parties that creates legally enforceable rights and obligations, exists; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied.



# THE TEMPLETON OF CARY

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Resident/Patient Revenue* – Resident fee revenue is reported at the amount that reflects the consideration the Company expects to receive in exchange for the services period. These amounts are due from residents or third party payers and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident fee revenue is recognized as performance obligations are satisfied.

Under the Company's skilled nursing and assisted living senior living residency agreements, the Company provides senior living services to residents for a stated daily or monthly fee. The Company recognizes revenue for room, assistance with activities of daily living, inpatient therapy, healthcare, and personalized health services provided under assisted living and skilled nursing residency agreements in accordance with the provisions of U.S. GAAP. The senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time and recognized ratably over the contractual term, typically daily.

The Company also collects a one-time upfront nonrefundable community fee. The community fee is recorded as deferred revenue and amortized over five years, the estimated stay of the resident based on historical knowledge.

The Company has a performance obligation related to the series of distinct goods and services and another performance obligation related to access residents have for discounted fee days. Management has determined it is appropriate to allocate an equal amount of revenue to this material right each month.

The Company receives revenue for services under various third party payer programs which include Medicare, Medicaid, and other third party payers. Settlements with third party payers for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on terms of the contract with the payer, correspondence with the payer and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

The Company receives revenue from independent living residents containing a lease component that would fall under the guidance of ASC 840, *Leases*. The amount of revenue recorded under this guidance was approximately \$1,020,000 and there would be no difference in how the revenue would be recognized under ASC 606 or ASC 840.

*Disaggregated Revenue* – The Company has determined that the senior living services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time.

*Contract Balances* – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying combined balance sheet related to the nonrefundable community fee and prepaid resident/patient revenue totaled \$265,591 and \$42,727, respectively, as of December 31, 2020 and is recorded as deferred revenue on the combined balance sheet. There were no contract assets as of December 31, 2020.

# THE TEMPLETON OF CARY

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Resident/Patient Accounts Receivable, Net* – Receivables from residents, patients, insurance companies, and third party contractual agencies are recorded at regular resident service rates, net of estimated contractual adjustments. Contractual adjustments are estimated based on the terms of third-party insured contracts and arrangements. Adequate allowances are provided for doubtful accounts and other uncertainties. Credit losses have historically been within management's expectations. Net accounts receivable was approximately \$111,000 as of December 31, 2020. Accounts receivable are stated in the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Management recorded no allowance for doubtful accounts as of December 31, 2020.

*Upcoming Pronouncement – Leases* – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. This standard will be effective for the calendar year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

*Income Taxes* – The Company, with the consent of its members, has elected under the Internal Revenue Code to be taxed as a partnership. In lieu of corporate federal income taxes, the members of an LLC are taxed on their proportionate share of the Company's taxable income. Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management has evaluated all other income tax positions that could have a significant effect on the combined financial statements and determined the Company had no uncertain income tax positions at December 31, 2020.

*Intangible Asset* – In accordance with U.S. GAAP, intangible assets with indefinite useful lives are reviewed for impairment in accordance with ASC 350, *Intangibles – Goodwill and Other*, which requires the Company to evaluate the recoverability of long-lived assets annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the CON may warrant revision or that the remaining carrying value may not be recoverable. For the Company, this asset includes a CON. As permitted by ASC 350, the Company performed a qualitative assessment of impairment to determine whether the value of the CON was impaired. Based on the results of this qualitative assessment, the CON was not impaired as of December 31, 2020.

*Impairment of Long-Lived Assets* – The Company reviews the carrying value of its long-lived assets, whether held for use or disposal when events and circumstances indicate that the carrying amount of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

*Interest Rate Derivative* – The Company's long-term debt bears interest at variable rates. In order to manage interest rate risks, the Company has entered into an interest rate cap agreement under which the Company will be reimbursed for any required interest payments in excess of the interest rate per the debt agreement. The fair value of the rate cap as of December 31, 2020 is included within other assets on the combined balance sheet. Refer to Note 3 for additional discussion.

**THE TEMPLETON OF CARY**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 2—Summary of significant accounting policies (continued)**

*Operating Reserves* – Continuing care retirement communities located in North Carolina are licensed and monitored by the NC DOI under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of or impose additional requirements on any continuing care facility under certain circumstances specified in North Carolina General Statute 58-64-10.

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the NC DOI, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs. Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense and revenue associated with non-contractual expenses.

In order to meet North Carolina General Statute operating reserve requirement of \$1,435,000, based on occupancy of less than 90% at December 31, 2020 and projected operating expenses and occupancy for 2020, presented in the 2020-2024 financial projections, the Company has entered into an irrevocable standby letter of credit of up to \$9,801,000 for the period of November 30, 2020 through November 1, 2021.

*Credit Concentrations* – The Company places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year ended December 31, 2020, the Company from time to time may have had amounts on deposit in excess of insured limits.

The Company grants credit without collateral to its patients and residents, most of whom are insured by third party payers. The mix of receivables from patients and third party payers at December 31, 2020 was as follows:

Medicare	90%
Commercial insurance/private pay/other	10%
	<u>100%</u>

The Company's mix of revenue sources for the year ended December 31, 2020 was as follows:

Medicare	6%
Commercial insurance/private pay/other	94%
	<u>100%</u>

*Advertising Costs* – Advertising costs are expensed in the year incurred and totaled \$344,323 for the year ended December 31, 2020.

*Residence and Care Agreement* –

*Services* – The Residency and Care Agreement (“Residency Agreement”) is a rental contract under which the Company is obligated, upon payment by the resident of a community fee and ongoing payments of the monthly fee to the Company, to provide certain services to the resident. While the resident occupies an independent living unit, services provided include: one meal per day; all utilities, except telephone; for apartment and garden flat residents, housekeeping services; maintenance of both the unit and the grounds and equipment; scheduled local transportation; use of the wellness center; planned social, recreational, and cultural activities; and use of the community area and other common activity facilities.

# THE TEMPLETON OF CARY

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### **Note 2—Summary of significant accounting policies (continued)**

*Admittance Standards* – To be accepted for admission to the independent living units at the CCRC, each prospective resident must be at least 62 years of age at the time residency is established, with the exception of an underage spouse, who must be at least 50 years of age, have financial assets adequate to pay the admission fee, and have sufficient income to meet the anticipated monthly fee and other personal expenses not provided under the Residency Agreement.

A reservation requires a signed Residency Agreement and the payment of a one-time community fee equal to one month's monthly resident fee. The community fee is refundable within the first 30 days of the execution of the Residency Agreement.

*Terms of Residency* – For residents living in an apartment, the initial agreement shall be for a term of 13 months. After the initial term, the Residency Agreement will automatically renew for an additional 13-month period, unless terminated as set forth in the Residency Agreement applicable to the apartments.

*Termination by the Resident Prior to Occupancy* – The resident may terminate the agreement prior to moving into the CCRC for any reason at any time before moving into the CCRC by giving written notice. The application fee will be refundable at termination, except for costs or other charges that the resident and the Templeton of Cary agree in advance are non-refundable.

*Termination by the Resident After Occupancy* – The resident may terminate the agreement after moving into the CCRC by giving 30 days prior written notice of termination, which shall be effective and irrevocable upon delivery. If the resident terminates the agreement prior to the expiration of the initial term or renewal term, then the resident will be obligated to pay the monthly fee throughout the remainder of the term until the later of (i) removal of possessions from the apartment and key return to administration or (ii) re-occupancy of the apartment by a new resident.

The agreement will automatically terminate upon death of the resident (unless there is a surviving joint resident) and a personal representative will have 30 days from the day of death to remove personal property from the apartment. The resident's estate will be obligated to pay the monthly fee until the removal of possessions from the apartment and key return to administration.

*Termination by the Company* – The CCRC may terminate the agreement for just cause. Just cause includes (i) breach of agreement; (ii) misrepresenting information in admission process; or (iii) failure to pay any charges.

### **Note 3—Derivative instruments**

The Company has entered into an interest rate cap agreement which effectively limits the interest rate on the Company's outstanding note payable. The interest rate cap has a notional amount of \$77,350,000. The fair value of this financial instrument is adjusted through other expense each year. As of December 31, 2020, the fair value of the interest rate cap agreement was immaterial to the combined financial statements. The agreement provides that the Company's floating interest rate will be capped at 3% when variable rates exceed 3%. The agreement expires in February 2022.

**THE TEMPLETON OF CARY**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2020

**Note 4—Property and equipment, net**

Property and equipment, net at December 31, 2020 consists of the following:

	<b>Cary PROPCO</b>	<b>Templeton of Cary</b>	<b>Brightmore Senior Living</b>	<b>Total</b>
Buildings and improvements	\$ 91,088,200	\$ -	\$ -	\$ 91,088,200
Land and land improvements	11,403,161	-	-	11,403,161
Furniture and fixtures	2,022,886	-	-	2,022,886
Vehicles	211,273	-	-	211,273
Software	15,269	3,280	-	18,549
Equipment	3,016,325	-	-	3,016,325
	107,757,114	3,280	-	107,760,394
Less accumulated depreciation	(2,193,459)	(492)	-	(2,193,951)
Property and equipment, net	<u>\$ 105,563,655</u>	<u>\$ 2,788</u>	<u>\$ -</u>	<u>\$ 105,566,443</u>

**Note 5—Intangible asset**

Intangible asset (indefinite-lived) consisted of the following at December 31, 2020:

Certificate of need	<u>\$ 1,406,920</u>
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**Note 6—Long-term debt**

Long-term debt for the Company consists of the following at December 31, 2020:

Note payable bearing interest at a variable rate of 2.90% plus LIBOR (0.15% at December 31, 2020) with interest only payments due monthly from the note effective date through February 28, 2021 and principal and interest payment of \$396,686 due monthly for the period of March 1, 2021 through the maturity date of February 15, 2022. This note is collateralized by the real property and improvements and related real and personal property as well as any additional property and improvements located thereon.	\$ 73,895,397
Less debt issuance costs	(322,162)
Less current portion of long-term debt	(947,020)
Long-term debt, net	<u>\$ 72,626,215</u>

**THE TEMPLETON OF CARY**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2020

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**Note 6—Long-term debt (continued)**

Future maturities of long-term debt are as follows:

**Years Ending December 31,**

2021	\$ 947,020
2022	<u>72,948,377</u>
	<u><u>\$ 73,895,397</u></u>

Interest expense amounted to \$2,022,383 for the year ended December 31, 2020, including \$295,736 related to debt issuance cost amortization. Future amortization of debt issuance costs at December 31, 2020 is as follows:

**Years Ending December 31,**

2021	\$ 292,824
2022	<u>29,338</u>
	<u><u>\$ 322,162</u></u>

**Note 7—Related party transactions**

Other entities owned by Liberty Healthcare provide other benefits to the Company. These transactions are also considered related party transactions and are settled through related party cash accounts and payments to the other entities. As of December 31, 2020, total receivables and payables to related parties were \$134,685 and \$902,645, respectively.

**Note 8—Intercompany agreements**

Templeton of Cary has entered into management agreements with a fee of 5% of total revenue derived from independent living units and 6% of total revenue derived from assisted living units, memory care units, and skilled nursing units paid to Brightmore Senior Living. These fees totaled \$95,324 for the year ended December 31, 2020. These amounts have been eliminated on the combined financial statements.

Cary PROPCO entered into a lease agreements with Templeton of Cary, under which Templeton of Cary will make lease payments to Cary PROPCO for use of the facilities. The lease agreement has a term of f15 years.

# THE TEMPLETON OF CARY

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Note 8—Intercompany agreements (continued)

Future minimum lease payments are as follows:

#### Years Ending December 31,

2021	\$ 5,831
2022	1,098,734
2023	2,474,841
2024	3,014,100
2025	3,148,105
Thereafter	4,610,209
	<u>\$ 14,351,820</u>

Total rent expense incurred by the Templeton of Cary was \$1,195,985 for the year ended December 31, 2020. This amount has been eliminated on the combined financial statements.

### Note 9—Contingencies

The Company is subject to legal proceedings and claims which arise in the course of providing health care services. The Company maintains malpractice insurance coverage (\$1,000,000 per claim, \$3,000,000 aggregate) for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include but are not necessarily limited to matters such as licensure, accreditation, government-health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay at home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Company operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

**THE TEMPLETON OF CARY**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*DECEMBER 31, 2020*

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**Note 10—Pension plan**

The Company offers a defined contribution plan (the “Plan”) to eligible employees as defined by the Plan. The Company will match employee contributions at the discretion of management. The Company contributed \$7,156 to the Plan for the year ended December 31, 2020.

**Note 11—Subsequent events**

The Company has evaluated subsequent events through April 6, 2021, in connection with the preparation of these combined financial statements, which is the date the combined financial statements were available to be issued.



## **SUPPLEMENTAL INFORMATION**

**THE TEMPLETON OF CARY**  
**COMBINING BALANCE SHEETS**

DECEMBER 31, 2020

	<b>Cary PROPCO</b>	<b>Templeton of Cary</b>	<b>Brightmore Senior Living</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Cash	\$ -	\$ 360,810	\$ 91,507	\$ -	\$ 452,317
Restricted cash	-	190,449	-	-	190,449
Resident/patient accounts receivable, net	-	111,445	-	-	111,445
Accounts receivable - other	1,672	66	326	-	2,064
Accounts receivable - Templeton of Cary	5,594,451	2,682,638	2,409,330	(10,686,419)	-
Prepaid expenses	31,663	128,242	495	-	160,400
<b>Total Current Assets</b>	<b>5,627,786</b>	<b>3,473,650</b>	<b>2,501,658</b>	<b>(10,686,419)</b>	<b>916,675</b>
Property and Equipment, Net	105,563,655	2,788	-	-	105,566,443
Noncurrent Assets:					
Intangible asset	1,406,920	-	-	-	1,406,920
Receivables - related parties	53,720	33,597	47,368	-	134,685
Other assets	2	53,287	-	-	53,289
<b>Total Noncurrent Assets</b>	<b>1,460,642</b>	<b>86,884</b>	<b>47,368</b>	<b>-</b>	<b>1,594,894</b>
<b>Total Assets</b>	<b>\$ 112,652,083</b>	<b>\$ 3,563,322</b>	<b>\$ 2,549,026</b>	<b>\$ (10,686,419)</b>	<b>\$ 108,078,012</b>

**THE TEMPLETON OF CARY**  
**COMBINING BALANCE SHEETS (CONTINUED)**

DECEMBER 31, 2020

	<b>Cary PROPCO</b>	<b>Templeton of Cary</b>	<b>Brightmore Senior Living</b>	<b>Eliminations</b>	<b>Total</b>
<b>LIABILITIES AND MEMBERS' EQUITY (DEFICIT)</b>					
Current Liabilities:					
Current portion of long-term debt	\$ 947,020	\$ -	\$ -	\$ -	\$ 947,020
Deferred revenue, current portion	-	101,432	-	-	101,432
Accrued expenses and other payables	1,894,579	413,779	266,646	-	2,575,004
Accounts payable - Templeton of Cary	505,784	8,003,412	2,177,223	(10,686,419)	-
Total Current Liabilities	<u>3,347,383</u>	<u>8,518,623</u>	<u>2,443,869</u>	<u>(10,686,419)</u>	<u>3,623,456</u>
Noncurrent Liabilities:					
Accounts payable - related parties	338,567	460,359	103,719	-	902,645
Deferred revenue, long-term portion	-	206,886	-	-	206,886
Long-term debt, net	72,626,215	-	-	-	72,626,215
Total Noncurrent Liabilities	<u>72,964,782</u>	<u>667,245</u>	<u>103,719</u>	<u>-</u>	<u>73,735,746</u>
Total Liabilities	76,312,165	9,185,868	2,547,588	(10,686,419)	77,359,202
Members' Equity (Deficit)	<u>36,339,918</u>	<u>(5,622,546)</u>	<u>1,438</u>	<u>-</u>	<u>30,718,810</u>
<b>Total Liabilities and Members' Equity (Deficit)</b>	<u><u>\$ 112,652,083</u></u>	<u><u>\$ 3,563,322</u></u>	<u><u>\$ 2,549,026</u></u>	<u><u>\$ (10,686,419)</u></u>	<u><u>\$ 108,078,012</u></u>

## THE TEMPLETON OF CARY

### COMBINING STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2020

	Cary PROPCO	Templeton of Cary	Brightmore Senior Living	Eliminations	Total
Revenues:					
Resident/patient revenue	\$ -	\$ 679,304	\$ -	\$ -	\$ 679,304
Independent living revenue	-	1,019,656	-	-	1,019,656
Rent revenue	1,195,985	-	-	(1,195,985)	-
Community fee amortization	-	23,702	-	-	23,702
Other revenue	-	54,171	2,406,261	(2,404,063)	56,369
Total Revenue	<u>1,195,985</u>	<u>1,776,833</u>	<u>2,406,261</u>	<u>(3,600,048)</u>	<u>1,779,031</u>
Expenses:					
Resident/patient services	-	1,384,597	1,169,449	(1,169,449)	1,384,597
Dietary	-	623,274	67	(67)	623,274
Laundry	-	47,289	6,049	(6,049)	47,289
Housekeeping	-	189,908	136,201	(136,201)	189,908
Plant operations	65,022	747,239	195,372	(195,372)	812,261
Physical plant	-	1,271,552	-	(1,195,985)	75,567
General and administrative	77,595	1,924,765	802,088	(801,601)	2,002,847
Management fees	-	95,324	95,324	(95,324)	95,324
Interest	2,022,383	-	-	-	2,022,383
Depreciation and amortization	2,122,591	8,596	-	-	2,131,187
Other expense	17,037	175,236	-	-	192,273
Total Expenses	<u>4,304,628</u>	<u>6,467,780</u>	<u>2,404,550</u>	<u>(3,600,048)</u>	<u>9,576,910</u>
Net Income (Loss)	(3,108,643)	(4,690,947)	1,711	-	(7,797,879)
Members' equity, beginning of year	37,617,222	(931,599)	(273)	-	36,685,350
Contributions	1,831,339	-	-	-	1,831,339
Members' equity, end of year	<u>\$ 36,339,918</u>	<u>\$ (5,622,546)</u>	<u>\$ 1,438</u>	<u>\$ -</u>	<u>\$ 30,718,810</u>

**THE TEMPLETON OF CARY**  
**COMBINING STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2020

	<b>Cary PROPCO</b>	<b>Templeton of Cary</b>	<b>Brightmore Senior Living</b>	<b>Eliminations</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>					
Net loss	\$ (3,108,643)	\$ (4,690,947)	\$ 1,711	\$ -	\$ (7,797,879)
Adjustments to reconcile net loss to net cash flows from operating activities:					
Depreciation and amortization	2,122,591	8,596	-	-	2,131,187
Amortization of debt issuance costs	295,736	-	-	-	295,736
Changes in operating assets and liabilities:					
Resident/patient accounts receivable, net	-	(111,445)	-	-	(111,445)
Accounts receivable - other	(1,672)	(66)	(326)	-	(2,064)
Prepaid expenses	(9,580)	(128,242)	(495)	-	(138,317)
Receivables - related parties	(50,000)	(31,356)	(26,913)	-	(108,269)
Accounts receivable - Templeton of Cary	(4,773,192)	(2,623,281)	(211,736)	7,608,209	-
Other assets	1,906	(43,025)	-	-	(41,119)
Deferred revenue	-	180,878	-	-	180,878
Accrued expenses and other payables	(7,033,791)	299,523	225,819	-	(6,508,449)
Accounts payable - related parties	(241,809)	294,557	103,219	-	155,967
Accounts payable - Templeton of Cary	446,426	7,161,783	-	(7,608,209)	-
Net cash flows from operating activities	<u>(12,352,028)</u>	<u>316,975</u>	<u>91,279</u>	<u>-</u>	<u>(11,943,774)</u>
<b>Cash flows from investing activities:</b>					
Purchases of property and equipment	<u>(7,802,088)</u>	<u>(3,280)</u>	<u>-</u>	<u>-</u>	<u>(7,805,368)</u>
<b>Cash flows from financing activities:</b>					
Proceeds from issuance of debt	18,072,225	-	-	-	18,072,225
Contributions from officers/members	1,831,339	-	-	-	1,831,339
Net cash flows from financing activities	<u>19,903,564</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,903,564</u>
Net change in cash and restricted cash	(250,552)	313,695	91,279	-	154,422
Cash and restricted cash, beginning of year	250,552	237,564	228	-	488,344
Cash and restricted cash, end of of year	<u>\$ -</u>	<u>\$ 551,259</u>	<u>\$ 91,507</u>	<u>\$ -</u>	<u>\$ 642,766</u>

**THE TEMPLETON OF CARY**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**

*YEAR ENDED DECEMBER 31, 2020*

	<b>Cary PROPCO</b>	<b>Templeton of Cary</b>	<b>Brightmore Senior Living</b>	<b>Eliminations</b>	<b>Total</b>
<b>Supplemental disclosure of cash flow information:</b>					
Cash paid during the year for interest	\$ 2,718,544	\$ -	\$ -	\$ -	\$ 2,718,544
<b>Reconciliation of cash and restricted cash to the combining balance sheet:</b>					
Cash per combining balance sheet	\$ -	\$ 360,810	\$ 91,507	\$ -	\$ 452,317
Restricted cash - per combining balance sheet	-	190,449	-	-	190,449
	<u>\$ -</u>	<u>\$ 551,259</u>	<u>\$ 91,507</u>	<u>\$ -</u>	<u>\$ 642,766</u>

EXHIBIT B

ACTUAL VERSUS PROJECTED RESULTS

[ATTACHED]

**Cary Senior Housing I OPCO, LLC  
Brightmore Senior Living of Cary, LLC  
Material Difference Narrative  
For the Year Ended December 31, 2020**

For purposes of comparison, Cary Senior Housing I OPCO, LLC and Brightmore Senior Living of Cary, LLC (the "Company") used the following financial reports as of and for the year ended (actual)/ending (projected) December 31, 2020:

**Audited** - Obtained from the audited financial statements of Cary Senior Housing I OPCO, LLC, Brightmore Senior Living of Cary, LLC, and Cary Senior Housing I PROPCO, LLC (collectively, "The Templeton of Cary") as of and for the year ended December 31, 2020.

**Projected** - Obtained from the projected financial statements for the Company with the Independent Accountants' Compilation Report dated May 15, 2020, which was included in The Templeton of Cary Disclosure Statement dated May 31, 2020.

The following explanations are furnished pursuant to Section 58-64-30 of the General Statutes of North Carolina. The explanations pertain to material differences between the Company's audited and projected financial statements, as described above, as of and for the year ending December 31, 2020. See the summary Balance Sheets, Statements of Operations and Statements of Cash Flows behind this narrative for amounts and percentages.

For purposes of this narrative, "material" differences are considered to be variances of \$1,000,000 and 10% on line item amounts.



## Balance Sheets:

1. Intercompany Receivable/Payable - Templeton of Cary - There are transactions throughout the year between other companies related under The Templeton of Cary economic entity. Below is a summary of the net balances due to and from these companies at December 31, 2020:

	Projected			Actual		
	<u>Due From</u>	<u>Due To</u>	<u>Net Due/(Due)</u>	<u>Due From</u>	<u>Due To</u>	<u>Net Due/(Due)</u>
Cary Senior Housing I PROPCO, LLC				\$ 506	\$ (5,594)	\$ (5,088)
Total receivable/(payable)	\$ -	\$ (3,027)	\$ (3,027)	\$ 506	\$ (5,594)	\$ (5,088)
						\$ (2,061)
						68%

The net amount due to the property company related under The Templeton of Cary economic entity was more than projected by approximately \$2,061,000 (68%). This was primarily due to the deferral of rent due from the operating company to the property until this start-up community reaches stabilized occupancy. Accounting standards require the straight-line recognition of rent upon opening based on the terms of the lease agreement.

2. Members' Equity/(Deficit) - Members' deficit at year-end was more than projected by approximately \$2,346,000 (72%) as a direct result of greater than projected net loss in 2020. See explanations in notes #3 and #4 below.

## Statements of Operations:

3. General, Administrative, and Marketing Expenses - General, Administrative, and Marketing expenses were more than projected by approximately \$1,178,000 (157%). This community opened in 2020--independent living in June and healthcare in July, which was three (3) to six (months) ahead of the projected opening dates. The projections anticipated a greater delay in opening due to the Coronavirus pandemic and assumed approximately \$1,188,000 in general and administrative costs would occur in 2021. These costs were incurred in 2020 as a result of an earlier opening.

4. Net Loss - The net loss was approximately \$2,163,000 (190%) greater than projected for the reasons indicated in note #3 above coupled with approximately \$200,000 in expenses directly related to COVID-19, which were not included in the projections.

### **Statements of Cash Flows:**

5. Changes in Operating Assets and Liabilities - Changes in Operating Assets and Liabilities was more than projected by approximately \$2,420,000 (93%) primarily as a result of rent due to the property company related to The Templeton of Cary, which is part of the economic entity (see description in #1 above).

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC  
At December 31, 2020**

Balance Sheet (in '000s)	2020 Projection	2020 Audited				Variance		See Material Difference Narrative
		Cary Senior Housing I OPCO, LLC	Brightmore Senior Living of Cary, LLC	Eliminations	Combined			
<b>Assets:</b>								
Current assets:								
Cash	\$ 50	\$ 361	\$ 92	\$ -	\$ 453	\$ 403	806%	
Cash - restricted	448	190	-	-	190	(258)	-58%	
Accounts receivable:								
Resident accounts receivable, net	-	111	-	-	111	111	100%	
Other	-	-	-	-	-	-	100%	
Inventories	9	-	-	-	-	(9)	-100%	
Prepaid expenses	9	128	-	-	128	119	1322%	
Intercompany receivable - Templeton of Cary	-	2,683	2,409	(4,586)	506	506	100%	(1)
Total current assets	516	3,473	2,501	(4,586)	1,388	872		
Noncurrent assets:								
Property and equipment, net	-	3	-	-	3	3	100%	
Due from related parties	-	34	48	-	82	82	100%	
Deferred marketing costs	46	50	-	-	50	4	9%	
Other non-current assets	-	3	-	-	3	3	100%	
Total noncurrent assets	46	87	48	-	135	89		
Total assets	\$ 562	\$ 3,563	\$ 2,549	\$ (4,586)	\$ 1,526	\$ 964		
<b>Liabilities and Members' Equity/(Deficit):</b>								
Current liabilities:								
Deferred revenue, current portion	\$ -	\$ 101	\$ -	\$ -	\$ 101	101	100%	
Accounts payable and accrued expenses	512	415	-	-	415	(97)	-19%	
Accrued payroll and related withholdings	64	-	267	-	267	203	317%	
Intercompany payable - Templeton of Cary	3,027	8,003	2,177	(4,586)	5,594	2,567	85%	(1)
Total current liabilities	3,603	8,519	2,444	(4,586)	6,377	2,774		
Long-term liabilities:								
Deferred revenue, net	235	207	-	-	207	(28)	-12%	
Due to related parties	-	460	104	-	564	564	100%	
Total long-term liabilities	235	667	104	-	771	536		
Total liabilities	3,838	9,186	2,548	(4,586)	7,148	3,310		
Member's equity/(deficit)	(3,276)	(5,623)	1	-	(5,622)	(2,346)	72%	(2)
Total liabilities and member's equity/(deficit)	\$ 562	\$ 3,563	\$ 2,549	\$ (4,586)	\$ 1,526	\$ 964		

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC  
For the Year Ended December 31, 2020**

Statement of Operations (in 000s)	2020 Projection	2020 Audited				Variance		See Material Difference Narrative
		Cary Senior Housing I OPCO, LLC	Brightmore Senior Living of Cary, LLC	Eliminations	Combined			
<b>Revenue:</b>								
Community fee amortization	\$ 11	\$ 24	\$ -	\$ -	\$ 24	13	118%	
Independent living service fees	463	1,020	-	-	1,020	557	120%	
Assisted living service fees	40	306	-	-	306	266	665%	
Skilled nursing service fees	11	373	-	-	373	362	3291%	
Management fee revenue	-	-	95	(95)	-	-	100%	
Other revenue	13	54	2,311	(2,311)	54	41	315%	
<b>Total Revenue</b>	<b>538</b>	<b>1,777</b>	<b>2,406</b>	<b>(2,406)</b>	<b>1,777</b>	<b>1,239</b>		
<b>Expenses:</b>								
Independent living resident services	88	135	94	(94)	135	47	53%	
Assisted living resident services	148	569	373	(373)	569	421	284%	
Skilled nursing resident services	41	681	703	(703)	681	640	1561%	
Dietary	224	623	-	-	623	399	178%	
Housekeeping	72	190	136	(136)	190	118	164%	
Laundry & Linen	4	47	6	(6)	47	43	1075%	
General, administrative, and marketing	749	1,927	802	(804)	1,925	1,178	157%	(3)
Management Fees	27	95	95	(95)	95	68	252%	
Plant operations	288	747	195	(195)	747	459	159%	
Physical plant	34	63	-	-	63	29	85%	
<b>Total expenses</b>	<b>1,675</b>	<b>5,077</b>	<b>2,404</b>	<b>(2,406)</b>	<b>5,075</b>	<b>3,402</b>		
Operating income (loss)	(1,137)	(3,300)	2	-	(3,298)	(2,163)	190%	(4)
<b>Other operating income (expenses):</b>								
Rent expense	(1,194)	(1,208)	-	-	(1,208)	(14)	1%	
Amortization of marketing costs	-	(8)	-	-	(8)	(8)	100%	
Depreciation and amortization of deferred marketing costs	(13)	-	-	-	-	13	-100%	
COVID expense	-	(168)	-	-	(168)	(168)	100%	
Owner's expense	-	(7)	-	-	(7)	(7)	100%	
<b>Total other operating income (expenses)</b>	<b>(1,207)</b>	<b>(1,391)</b>	<b>-</b>	<b>-</b>	<b>(1,391)</b>	<b>(184)</b>		
Net income (loss)	(2,344)	(4,691)	2	-	(4,689)	(2,347)	100%	(4)
Member's equity/(deficit), beginning of year	(932)	(932)	-	-	(932)	-	0%	
Member's equity/(deficit), end of year	\$ (3,276)	\$ (5,623)	\$ 2	\$ -	\$ (5,621)	\$ (2,347)	72%	(2)

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC  
For the Year Ended December 31, 2020**

Statement of Cash Flows (in 000s)	2020 Projection	2020 Audited				Variance		See Material Difference Narrative
		Cary Senior Housing I OPCO, LLC	Brightmore Senior Living of Cary, LLC	Eliminations	Combined			
<b>Cash flows from operating activities:</b>								
Net income (loss) from operations	\$ (2,344)	\$ (4,691)	\$ 2	\$ -	\$ (4,689)	(2,347)	100%	(4)
Adjustments to reconcile net income (loss) from operations to net cash provided by (used in) operating activities:								
Depreciation	1	-	-	-	-	(1)	-100%	
Amortization of community fees	(11)	(24)	-	-	(24)	(13)	118%	
Amortization of deferred marketing costs	12	8	-	-	8	(4)	-33%	
Changes in operating assets and liabilities, net	2,603	5,023	90	-	5,113	2,420	93%	(5)
Net cash flows from operating activities	261	316	92	-	408	55		
<b>Cash flows from investing activities:</b>								
Capital additions	(1)	(3)	-	-	(3)	(2)	200%	
Net cash flows from investing activities	(1)	(3)	-	-	(3)	(2)		
<b>Cash flows from financing activities:</b>								
Member contributions/(distributions)	-	-	-	-	-	-	100%	
Net cash flows from financing activities	-	-	-	-	-	-		
Change in cash	260	313	92	-	405	53		
Cash, beginning of year	238	238	-	-	238	-		
Cash, end of year	\$ 498	\$ 551	\$ 92	\$ -	\$ 643	\$ 53		
<b>Cash Reconciliation:</b>								
Cash	50	\$ 361	\$ 92	\$ -	\$ 453	311	622%	
Cash - restricted	448	190	-	-	190	(258)	-58%	
Total cash	\$ 498	\$ 551	\$ 92	\$ -	\$ 643	\$ 53		

EXHIBIT C  
INTERIM FINANCIAL STATEMENTS  
[ATTACHED]

**Cary Senior Housing I OPCO, LLC and Brightmore Senior Living of Cary, LLC**  
**Combined Statements of Operations and Changes in Members' Equity (unaudited)**  
**For the Three Months Ended March 31, 2021**

	<b>Cary Senior Housing I OPCO, LLC</b>	<b>Brightmore Senior Living of Cary, LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue:</b>				
Advance fee amortization	\$ 11,098	\$ -	\$ -	\$ 11,098
Net resident service revenue:				
Independent living	712,611	-	-	712,611
Assisted living	354,208	-	-	354,208
Skilled nursing	824,405	-	-	824,405
Management fee revenue	-	106,662	(106,662)	-
Other revenue	3,199	1,297,753	(1,297,753)	3,199
<b>Total operating revenue</b>	<b>1,905,521</b>	<b>1,404,415</b>	<b>(1,404,415)</b>	<b>1,905,521</b>
<b>Expense:</b>				
<b>Direct expense:</b>				
Nursing services	702,312	679,886	(679,886)	702,312
Dietary	302,442	-	-	302,442
Wellness	18,981	18,104	(18,104)	18,981
Patient activities	45,718	31,716	(31,716)	45,718
Social Services	9,596	9,593	(9,593)	9,596
Physical therapy	62,637	64,313	(64,313)	62,637
Occupational therapy	29,751	31,183	(31,183)	29,751
Speech therapy	4,086	4,140	(4,140)	4,086
Respiratory therapy	2,739	-	-	2,739
Medical supplies	73,517	-	-	73,517
Other ancillaries	2,493	-	-	2,493
<b>Total direct expenses</b>	<b>1,254,272</b>	<b>838,935</b>	<b>(838,935)</b>	<b>1,254,272</b>
<b>GROSS MARGIN</b>	<b>651,249</b>	<b>565,480</b>	<b>(565,480)</b>	<b>651,249</b>
<b>Indirect expense:</b>				
Housekeeping	79,383	79,653	(79,653)	79,383
Laundry and linen	18,659	4,465	(4,465)	18,659
General and administrative	654,622	303,278	(303,275)	654,625
Management fee expense	106,662	106,662	(106,662)	106,662

Transportation	15,814	11,407	(11,407)	15,814
Plant and operations	238,129	60,018	(60,018)	238,129
Property costs	28,395	-	-	28,395
Total indirect expense	1,141,664	565,483	(565,480)	1,141,667
Total expense	2,395,936	1,404,418	(1,404,415)	2,395,939
<b>Earnings before interest, taxes, and depreciation</b>	<b>(490,415)</b>	<b>(3)</b>	<b>-</b>	<b>(490,418)</b>
<b>Other revenue/(expense):</b>				
Rent expense	(512,565)	-	-	(512,565)
Amortization of marketing costs	(3,164)	-	-	(3,164)
Depreciation and amortization	(3,548)	-	-	(3,548)
Extraordinary expense	(20,829)	-	-	(20,829)
COVID expense	(126,561)	-	-	(126,561)
Owner's expense	(1,625)	-	-	(1,625)
Total other revenue/(expense)	(668,292)	-	-	(668,292)
<b>NET INCOME/(LOSS)</b>	<b>(1,158,707)</b>	<b>(3)</b>	<b>-</b>	<b>(1,158,710)</b>
Members' equity, beginning of year	(5,622,546)	1,438	-	(5,621,108)
Member contributions	-	-	-	-
Member distributions	-	-	-	-
Members' equity, end of year	\$ (6,781,253)	\$ 1,435	\$ -	\$ (6,779,818)



**Cary Senior Housing I OPCO, LLC and Brightmore Senior Living of Cary, LLC**  
**Combined Statements of Cash Flows (unaudited)**  
**For the Three Months Ended March 31, 2021**

	<b>Cary Senior Housing I OPCO, LLC</b>	<b>Brightmore Senior Living of Cary, LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Net income/(loss)	\$ (1,158,707)	\$ (3)	\$ -	\$ (1,158,710)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		-	-	
Depreciation	3,548	-	-	3,548
Amortization of advance fees	(11,098)	-	-	(11,098)
Amortization of deferred marketing costs	3,164	-	-	3,164
Change in working capital:				
Resident accounts receivable	(616,305)	-	-	(616,305)
Inventories	(19,173)	-	-	(19,173)
Prepaid expenses	14,860	328	-	15,188
Accounts receivables - related parties	(127,302)	(1,168)	-	(128,470)
Intercompany receivable - The Templeton of Cary	(1,132,066)	(1,345,255)	2,427,321	(50,000)
Other assets	(7,019)	-	-	(7,019)
Deferred revenue, current portion	286,664	-	-	286,664
Accounts payable and other accrued expenses and other paya	1,924,398	20	-	1,924,418
Accrued payroll and related withholdings	-	189,294	-	189,294
Deferred revenue, noncurrent portion	(206,886)	-	-	(206,886)
Accounts payable - related parties	255,427	38,258	-	293,685
Intercompany payable - The Templeton of Cary	1,039,440	1,082,066	(2,427,321)	(305,815)
<b>Cash flows from operating activities</b>	<b>248,945</b>	<b>(36,460)</b>	<b>-</b>	<b>212,485</b>
<b>Cash flows from investing activities:</b>				
Routine capital purchases	(68,177)	-	-	(68,177)
<b>Cash flows from investing activities</b>	<b>(68,177)</b>	<b>-</b>	<b>-</b>	<b>(68,177)</b>
<b>Cash flows from financing activities:</b>				
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in cash and cash equivalents	180,768	(36,460)	-	144,308
Cash and cash equivalents, beginning of year	551,259	91,507	-	642,766
Cash and cash equivalents, end of year	\$ 732,027	\$ 55,047	\$ -	\$ 787,074
Cash - unrestricted	507,640	55,047		562,687
Cash - restricted/invested	224,387	-		224,387
Total cash	\$ 732,027	\$ 55,047	\$ -	\$ 787,074

Cary Senior Housing I OPCO, LLC and Brightmore Senior Living of Cary, LLC  
 Combined Balance Sheets (unaudited)  
 At March 31, 2021

	Cary Senior Housing I OPCO, LLC	Brightmore Senior Living of Cary, LLC	Eliminations	Total
<b><u>Assets</u></b>				
<b>Current assets:</b>				
Cash	\$ 507,640	\$ 55,047	\$ -	\$ 562,687
Cash - restricted	224,387	-	-	224,387
Accounts receivable:				
Resident accounts receivable, net	727,750	-	-	727,750
Other	66	326	-	392
Inventories	19,173	-	-	19,173
Prepaid expenses	113,382	167	-	113,549
Intercompany receivable - The Templeton of Cary	3,814,704	3,754,585	(7,013,504)	555,785
<b>Total current assets</b>	<b>5,407,102</b>	<b>3,810,125</b>	<b>(7,013,504)</b>	<b>2,203,723</b>
<b>Non-current assets:</b>				
Property and equipment, net	67,417	-	-	67,417
Due from related parties	160,899	48,536	-	209,435
Deferred marketing costs, net of amortization	54,217	-	-	54,217
Other non-current assets	2,925	-	-	2,925
<b>Total non-current assets</b>	<b>285,458</b>	<b>48,536</b>	<b>-</b>	<b>333,994</b>
<b>Total assets</b>	<b>\$ 5,692,560</b>	<b>\$ 3,858,661</b>	<b>\$ (7,013,504)</b>	<b>\$ 2,537,717</b>
<b><u>Liabilities and Members' Equity/(Deficit)</u></b>				
<b>Current liabilities:</b>				
Deferred revenue, current portion	\$ 376,998	\$ -	\$ -	\$ 376,998
Accounts payable and other accrued expenses	2,338,177	232	-	2,338,409
Accrued payroll and related withholdings	-	455,728	-	455,728
Intercompany payable - The Templeton of Cary	9,042,852	3,259,289	(7,013,504)	5,288,637
<b>Total current liabilities</b>	<b>11,758,027</b>	<b>3,715,249</b>	<b>(7,013,504)</b>	<b>8,459,772</b>
<b>Non-current liabilities and deferred revenue:</b>				
Due to related parties	715,786	141,977	-	857,763
<b>Total non-current liabilities and deferred revenue</b>	<b>715,786</b>	<b>141,977</b>	<b>-</b>	<b>857,763</b>
<b>Total liabilities and deferred revenue</b>	<b>12,473,813</b>	<b>3,857,226</b>	<b>(7,013,504)</b>	<b>9,317,535</b>
<b>Members' equity/(deficit)</b>	<b>(6,781,253)</b>	<b>1,435</b>	<b>-</b>	<b>(6,779,818)</b>
<b>Total liabilities and members' equity/(deficit)</b>	<b>\$ 5,692,560</b>	<b>\$ 3,858,661</b>	<b>\$ (7,013,504)</b>	<b>\$ 2,537,717</b>

EXHIBIT D

5-YEAR PROSPECTIVE FINANCIAL STATEMENTS

[ATTACHED]

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC**

Compilation of a Financial Projection

For Each of the Five Years Ending  
December 31, 2025

(with Independent Accountants'  
Compilation Report thereon)

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC**

Compilation of a Financial Projection

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## Independent Accountants' Compilation Report

Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC  
Wilmington, North Carolina

Management of Cary Senior Housing I OPCO, LLC and Brightmore Senior Living of Cary, LLC (collectively the "Company") and the day-to-day operating manager, Liberty Living Management, LLC (collectively "Management") is responsible for the accompanying financial projection of the Company, which comprises the projected combined balance sheets as of and for each of the five years ending December 31, 2025, the related projected combined statements of operations, changes in members' deficit, and cash flows for each of the years then ending, and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying projection and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64. Accordingly, this report should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection. The projected results may not be achieved, as there will usually be differences between the prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Furthermore, even if the hypothetical assumption that the independent living apartments and health center units and beds are successfully marketed and achieve and maintain projected occupancy levels during the projection period, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Dixon Hughes Goodman LLP*

Atlanta, Georgia  
May 6, 2021

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC**

Projected Combined Statements of Operations and Changes in Members' Deficit  
For Each of the Five Years Ending December 31,  
(In Thousands)

	2021	2022	2023	2024	2025
<b>Revenue:</b>					
Community fee amortization	\$ 36	\$ 72	\$ 77	\$ 85	\$ 90
Independent living	5,089	10,591	13,599	14,458	14,893
Assisted living	2,468	5,821	7,480	7,729	7,961
Skilled nursing	3,806	5,041	5,195	5,365	5,530
Other revenue	92	104	105	106	107
<b>Total operating revenue</b>	<b>11,491</b>	<b>21,629</b>	<b>26,456</b>	<b>27,743</b>	<b>28,581</b>
<b>Expense:</b>					
Independent living	282	351	380	388	396
Assisted living	1,838	3,927	4,413	4,500	4,590
Skilled nursing	2,133	2,735	2,815	2,871	2,928
Dietary	2,053	3,343	3,706	3,239	3,230
Housekeeping	458	757	858	875	892
Laundry	114	116	119	121	123
General and administrative	2,686	2,739	2,794	2,849	2,906
Management Fee	638	1,190	1,450	1,518	1,564
Plant operations	1,031	1,844	1,881	1,919	1,957
Physical plant	105	107	109	112	114
<b>Total operating expenses</b>	<b>11,338</b>	<b>17,109</b>	<b>18,525</b>	<b>18,392</b>	<b>18,700</b>
 Operating income	 153	 4,520	 7,931	 9,351	 9,881
<b>Other expense:</b>					
Rent expense	2,050	3,921	7,407	7,877	5,435
Deferred marketing cost amortization	22	36	41	35	37
Depreciation	-	4	7	10	13
Other expense	29	-	-	-	-
<b>Total other expense</b>	<b>2,101</b>	<b>3,961</b>	<b>7,455</b>	<b>7,922</b>	<b>5,485</b>
 Net income (loss)	 (1,948)	 559	 476	 1,429	 4,396
 Members' deficit, beginning of year	 (5,621)	 (7,569)	 (7,010)	 (6,534)	 (5,105)
<b>Members' deficit, end of year</b>	<b>\$ (7,569)</b>	<b>\$ (7,010)</b>	<b>\$ (6,534)</b>	<b>\$ (5,105)</b>	<b>\$ (709)</b>

**See accompanying Independent Accountants' Compilation Report and Summary of  
Significant Projection Assumptions and Rationale**

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC**

Projected Combined Statements of Cash Flows  
For Each of the Five Years Ending December 31,  
(In Thousands)

	2021	2022	2023	2024	2025
<b>Cash flows from operating activities:</b>					
Net income (loss)	\$ (1,948)	\$ 559	\$ 476	\$ 1,429	\$ 4,396
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation	-	4	7	10	13
Deferred marketing cost amortization	22	36	41	35	37
Community fee amortization	(36)	(72)	(77)	(85)	(90)
Change in current assets and liabilities, net	2,362	(220)	(300)	(1,353)	(4,319)
Cash flows from operating activities	400	307	147	36	37
<b>Cash flows from investing activities:</b>					
Capital additions	(25)	(25)	(25)	(25)	(25)
Cash flows from investing activities	(25)	(25)	(25)	(25)	(25)
<b>Cash flows from financing activities:</b>					
Cash flows from financing activities	-	-	-	-	-
Change in cash and restricted cash	375	282	122	11	12
Cash and restricted cash, beginning of year	642	1,017	1,299	1,421	1,432
Cash and restricted cash, end of year	\$ 1,017	\$ 1,299	\$ 1,421	\$ 1,432	\$ 1,444
Cash and restricted cash reconciliation:					
Cash	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Cash - restricted	517	799	921	932	944
Total cash and restricted cash	\$ 1,017	\$ 1,299	\$ 1,421	\$ 1,432	\$ 1,444

**See accompanying Independent Accountants' Compilation Report and Summary of  
Significant Projection Assumptions and Rationale**



**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC**

Projected Combined Balance Sheets  
For Each of the Five Years Ending December 31,  
(In Thousands)

<b>Assets</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Current assets:					
Cash	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Cash - restricted	517	799	921	932	944
Resident accounts receivable, net	1,137	1,505	1,551	1,598	1,651
Prepaid expenses	280	422	457	452	461
<b>Total current assets</b>	<b>2,434</b>	<b>3,226</b>	<b>3,429</b>	<b>3,482</b>	<b>3,556</b>
Non-current assets:					
Property and equipment, net	28	49	67	82	94
Due from related parties	81	81	81	81	257
Deferred marketing costs, net of amortization	99	132	116	89	60
Other non-current assets	3	3	3	3	3
<b>Total non-current assets</b>	<b>211</b>	<b>265</b>	<b>267</b>	<b>255</b>	<b>414</b>
<b>Total assets</b>	<b>\$ 2,645</b>	<b>\$ 3,491</b>	<b>\$ 3,696</b>	<b>\$ 3,737</b>	<b>\$ 3,970</b>
<b>Liabilities and Members' Deficit</b>					
Current liabilities:					
Deferred revenue, current portion	\$ 240	\$ 370	\$ 416	\$ 433	\$ 452
Accounts payable and accrued expenses	1,014	1,549	1,733	1,736	1,764
Accrued payroll and related withholdings	590	891	964	955	973
Accounts payable - The Templeton of Cary	7,313	6,370	5,700	4,266	-
<b>Total current liabilities</b>	<b>9,157</b>	<b>9,180</b>	<b>8,813</b>	<b>7,390</b>	<b>3,189</b>
Non-current liabilities:					
Due to related parties	564	564	564	564	564
Deferred revenue, net	493	757	853	888	926
<b>Total non-current liabilities</b>	<b>1,057</b>	<b>1,321</b>	<b>1,417</b>	<b>1,452</b>	<b>1,490</b>
<b>Total liabilities</b>	<b>10,214</b>	<b>10,501</b>	<b>10,230</b>	<b>8,842</b>	<b>4,679</b>
<b>Members' deficit</b>	<b>(7,569)</b>	<b>(7,010)</b>	<b>(6,534)</b>	<b>(5,105)</b>	<b>(709)</b>
<b>Total liabilities and members' deficit</b>	<b>\$ 2,645</b>	<b>\$ 3,491</b>	<b>\$ 3,696</b>	<b>\$ 3,737</b>	<b>\$ 3,970</b>

**See accompanying Independent Accountants' Compilation Report and Summary of  
Significant Projection Assumptions and Rationale**

**Cary Senior Housing I OPCO, LLC and  
Brightmore Senior Living of Cary, LLC**

**Summary of Significant Projection Assumptions and Rationale**

**For Each of the Five Years Ending December 31, 2025**

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**General**

The accompanying financial projection presents, to the best of the knowledge and belief of management of Cary Senior Housing I OPCO, LLC and Brightmore Senior Living of Cary, LLC (collectively the “Company”) and the day-to-day operating manager, Liberty Living Management, LLC (the “Operating Manager”) (collectively, “Management”), the expected financial position, results of operations and changes in members’ deficit, and cash flows of the Company as of and for the each of the five years ending December 31, 2025. Accordingly, the accompanying combined financial projection reflects Management’s judgment as of May 6, 2021, the date of this projection, of the expected conditions and its expected course of action during the projection period assuming that the hypothetical assumption defined below occurs. However, even if the hypothetical assumption stated below was to occur, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Management’s purpose in releasing this financial projection is for inclusion in the Company’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose. The assumptions disclosed herein are those that Management believes are significant to the prospective financial statements.

*Basis of Presentation* – The prospective financial statements included in the projection have been prepared in accordance with the accounting principles generally accepted in the United States of America. Significant accounting policies are described in the appropriate assumptions and notes to the prospective financial statements. The assumptions described are not all-inclusive.

*Hypothetical Assumptions* – A hypothetical assumption is an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur but is consistent with the purpose of the presentation. Hypothetical assumptions are not derived from sources, which are based upon supporting documentation such as contracts, agreements, or other empirical data. Management has prepared its financial projection assuming the hypothetical assumption that the independent living apartments and health center units and beds are successfully marketed and achieve and maintain projected occupancy levels.

**Background**

The Templeton of Cary (“The Templeton of Cary” or the “Community”) is an economic entity comprised of three individual companies listed below. Management provides senior living services in Cary, North Carolina. Services include providing and maintaining an independent living retirement community, assisted living services, skilled nursing care, and supporting services. The Community began operation in June 2020.

**See Independent Accountants’ Compilation Report**

Cary Senior Housing I PROPCO, LLC (“Cary PROPCO”) is a Delaware for-profit limited liability company registered to do business in North Carolina and formed for the purpose of developing and owning the real property and the buildings of the Community. Cary PROPCO is owned by Cary Senior Housing I JV PROPCO, LLC, a Delaware limited liability company.

Cary Senior Housing I OPKO, LLC (“Cary OPKO”) is a Delaware for-profit limited liability company registered to do business in North Carolina and formed for the purpose of leasing and operating the Community. Cary OPKO is solely owned by Cary Senior Housing I JV OPKO, LLC, a Delaware limited liability company.

Brightmore Senior Living of Cary, LLC (“Brightmore Senior Living”) is a North Carolina for-profit limited liability company formed for the purpose of employing the employees of the Community and providing management services to Cary PROPCO and Cary OPKO.

The activities of Cary OPKO and Brightmore Senior Living (collectively, the “Company”) are included in Management’s projection.

The Community currently consists of 199 independent living rental apartments (the “Independent Living Units”); 59 assisted living units, 9 multi-unit assisted housing with services units and 22 memory support units (collectively referred to as the “Assisted Living Units”); and 28 skilled nursing beds (the “Skilled Nursing Beds”). The Assisted Living Units and Skilled Nursing Beds are collectively referred to as the “Healthcare Center”.

Cary OPKO and Cary PROPCO hold the license or certificate of need for 82 assisted living beds, 10 multi-unit assisted housing with services beds and 28 skilled nursing beds. The Company obtained a conditional license from the North Carolina Department of Insurance (“NCDOI”) in February 2020. Management anticipates receiving the final license upon breakeven operations, as defined by NCDOI.

#### *Intercompany Agreements*

Cary PROPCO entered into a lease agreement with Cary OPKO (the “Lease Agreement”), under which Cary OPKO makes lease payments to Cary PROPCO for use of the facilities. The Lease Agreement has a term of 15 years.

#### *Related Parties*

Other entities owned by the Liberty Healthcare Group, LLC provide other benefits to the Company. These transactions are considered related party transactions and are settled through related party cash accounts and payments to the other entities.

Brightmore Senior Living has entered into management agreements with the Operating Manager in which Brightmore Senior Living pays a management fee of 5.0 percent of total revenues derived from Independent Living Units and 6.0 percent of total revenues derived from Assisted Living Units and Skilled Nursing Beds to the Operating Manager, a related party to the Company (the “Management Fee”).

**See Independent Accountants’ Compilation Report**

## The Community

The Community is located in Cary, North Carolina on a 15.5-acre site owned by Cary PROPCO. The following table summarizes the types of units, approximate square footage, and current monthly fees (“Monthly Fee”) and daily service fees (“Daily Service Fee”) of the Community:

Unit Type	Number of Units	Square Footage	Monthly Fee <sup>(1)(2)(3)</sup>
<i>Independent Living Units:</i>			
One-bedroom	73	807	\$ 4,868
Two-bedroom	66	1,138	5,680
Two-bedroom/den	60	1,363	6,667
<b>Total / Weighted Average</b>	<b>199</b>	<b>1,084</b>	<b>\$ 5,680</b>
<i>Assisted Living Units:</i> <sup>(4)</sup>			
Memory Support	22	384	\$ 7,450
Multi-unit Assisted Housing w/ Services	9	583	6,767
Standard	59	445	7,219
<b>Total / Weighted Average</b>	<b>90</b>	<b>444</b>	<b>\$ 7,230</b>
<i>Skilled Nursing:</i>			<b>Daily Service Fee</b>
Private			\$ 364
Medicare – Traditional			505
Medicare – Managed Care			404
<b>Total / Weighted Average</b>	<b>28</b>	<b>371</b>	<b>424</b>
<b>Total Units / Beds</b>	<b>317</b>		

Source: Management

- (1) Residents of the Independent Living Units are required to pay a one-time non-refundable fee equal to one month’s Monthly Fee (the “Community Fee”); a one-time non-refundable fee equal to one month’s Monthly Fee (the “Apartment Selection Fee”); and a one-time refundable security deposit equal to one month’s Monthly Fee (the “Security Deposit”).
- (2) The second person Monthly Fee is \$900 for the Independent Living Units and \$2,000 for the Assisted Living Units.
- (3) Monthly Fees and Daily Service Fees increase each January. Residents renew their respective leases at renewal dates throughout the year. The Monthly Fees and Daily Service Fees shown are an average of the Monthly Fees and Daily Service Fees effective January 1, 2021.
- (4) Assisted Living Units are assumed to be licensed for 92 beds with two units available for double occupancy.

**See Independent Accountants’ Compilation Report**

## **COVID-19 Pandemic**

On January 30, 2020, the World Health Organization declared the “COVID-19” outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay-at-home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Community operates.

In December 2020, the U.S. Food and Drug Administration issued emergency use authorization of vaccines for the prevention of COVID-19.

For purposes of the projection, Management has assumed no revenue impact and additional staffing related expenses for fiscal year 2021. Management assumes COVID-19 shall have a negligible impact to its operations and has, therefore, excluded any additional revenue or expense related to COVID-19 for the remainder of the projection period.

**See Independent Accountants’ Compilation Report**

## **Residency and Care Agreement**

Services – The residency agreement (“Residency and Care Agreement”) is a rental contract under which the Company is obligated, upon payment by the resident (the “Resident” or “Residents”) of a Security Deposit, Community Fee, Apartment Selection Fee, and ongoing payment of the Monthly Fee, to provide certain services to the Resident. While the Resident occupies an Independent Living Unit, services provided include:

- Utilities, except telephone and internet service;
- Declining balance meal plan;
- Weekly housekeeping services;
- Interior unit and appliance maintenance;
- Maintenance of common area and the grounds;
- Use of common areas and wellness center;
- Uncovered parking;
- Scheduled transportation; and
- 24-hour emergency response system.

Optional services, including covered parking, personal laundry, additional transportation, additional dining, and additional housekeeping services, are available for an extra charge.

Admittance Standards – Prior to taking occupancy of a selected Independent Living Unit, the Resident shall execute a Residency and Care Agreement. The terms of the Residency and Care Agreement require the Company to accept persons at least 62 years of age at the time of occupancy, who demonstrate the ability to live independently, and meet the financial obligations as a Resident. A reservation requires a signed Residency and Care Agreement and payment of a Security Deposit, a non-refundable Apartment Selection Fee, and a one-time, non-refundable Community Fee. Upon occupancy, Residents are expected to pay an ongoing Monthly Fee.

Healthcare Benefit – The Company provides Residents temporary or permanent assisted living, memory care, and skilled nursing services in the Healthcare Center, within the limits of the Company’s licensure. Residents receive an annual, non-cumulative discount of 10 percent, from the current market rate, during the first 30 days of residency in the Healthcare Center.

Terms of Residency – The initial Residency and Care Agreement shall be for a term of thirteen months. After the initial term, the Resident has the option, each year, of executing another Residency and Care Agreement for thirteen months. If another thirteen-month Residency and Care Agreement is not executed, the Residency and Care Agreement shall expire at the end of the term.

**See Independent Accountants’ Compilation Report**

Termination by the Resident Prior to Occupancy – The Resident may cancel at any time and for any reason during the 30-day rescission period as defined in the Residency and Care Agreement (the “Rescission Period”) and shall receive a refund of any fees paid less a service charge. After the Rescission Period, the Resident may terminate the Residency and Care Agreement prior to moving into the Community by giving thirty (30) days’ prior written notice. The Apartment Selection Fee and Community Fee become non-refundable after the Rescission Period.

Termination by the Resident After Occupancy – The Resident may terminate the Residency and Care Agreement after moving into the Community by giving thirty (30) days’ prior written notice of termination, which shall be effective and irrevocable upon delivery. If the Resident terminates the Residency and Care Agreement prior to the expiration of the initial term or renewal term, then the Resident shall be liable for the Monthly Fee until the date that all of the Resident’s personal belongings are removed from the Independent Living Unit. In addition, the Resident shall be responsible for payment of liquidated damages of one month’s rental charge.

The Residency and Care Agreement shall automatically terminate upon death of the resident (unless there is a surviving joint Resident) and a personal representative shall have thirty (30) days from date of death to remove personal property from the Independent Living Unit. The Resident’s estate is obligated to pay the Monthly Fee until the removal of possessions from the Independent Living Unit and key return to administration.

Termination by the Company – The Company may terminate the Residency and Care Agreement for just cause to include: (i) breach of agreement; (ii) misrepresenting information in the admission process; (iii) failure to pay any charges; (iv) Resident becomes infected with dangerous or contagious disease; or (v) violation of any reasonable procedures at the Community.

**See Independent Accountants’ Compilation Report**

## Summary of Significant Accounting Policies

Basis of Accounting and Presentation – The Company is assumed to maintain its accounting and financial records according to the accrual basis of accounting.

Cash – Cash includes cash on hand and cash on deposit held by one financial institution.

Restricted Cash – Restricted cash includes patient trust fund, Security Deposits received from current residents, and refundable priority deposits (the “Priority Deposit”) received from future residents, which are held in accordance with statute, law, or regulation of the federal, state, and local government. The Priority Deposit shall be applied to the Security Deposit paid by the Resident upon execution of a Residency and Care Agreement.

Restricted cash also includes a refundable deposit made to the NCDOI pursuant to the North Carolina Administrative Code (“NCAC”), 11 NCAC 11H .0102(3)(a)(iv). For continuing care facilities, in order to obtain a preliminary certificate of licensure, the NCDOI requires a deposit of either \$100 for each unit for 50% of the total proposed units, or \$100,000, whichever amount is more. The deposit is refundable upon receipt of a permanent license.

Related-Party Transactions – The principal members of the Company and other entities, which they own or with which they are associated, are considered related parties. Management monitors cash flow at each related party entity and transfers cash on an as-needed basis.

Statutory Operating Reserve – North Carolina General Statute section 58-64-33, requires licensed continuing care retirement communities (“CCRC”) to maintain an operating reserve equal to fifty percent (50%) of the total projected operating costs (adjusted for non-cash items) in a given year. If a CCRC maintains a combined independent and assisted living occupancy in excess of 90 percent, the operating reserve amount required equals 25 percent (25%) of projected operating expenses (adjusted for non-cash items). The reserve may be funded by cash, invested cash or investment grade securities. Management assumes that the statutory operating reserve is to be funded by an irrevocable standby letter of credit from a financial institution.

Deferred Revenue – The non-refundable Community Fee is amortized into income over the estimated average length of stay of the Residents in the Independent Living Units and Assisted Living Units, assumed to be five and two years, respectively.

**See Independent Accountants’ Compilation Report**



*Lease Accounting* – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, Lease Accounting Standard in February 2016. ASU 2016-02 requires all leases with lease terms over twelve months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases are to be classified as either finance or operating. This distinction shall be relevant for the pattern of expense recognition in the statement of operations. The Company is currently in the process of evaluating the impact of adoption of this ASU and has not made final determinations. Therefore, for purposes of the projection, ASU 2016-02 has not been implemented by the Company.

*Property and Equipment* – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of depreciable assets. Maintenance and repairs are charged to expense as incurred, and renewals and betterments are capitalized. Gains or losses on disposals are credited or charged to operations.

*Deferred Marketing Costs* – Management has implemented ASU No. 2014-09 “Revenue from Contracts with Customers” and adopted the treatment of deferred marketing costs. Under the standard, the Company capitalizes marketing sales commissions associated with securing new Residency Agreements and Care Agreements as an asset and amortizes these commissions over the estimated term of the respective Residency and Care Agreements.

*Income Taxes* – The Company has elected to be treated as a partnership for income tax purposes. The Company’s taxable income, its losses, and other pass-through items are reported on the members’ tax returns. Accordingly, no provision for income taxes has been included in the projection.

**See Independent Accountants’ Compilation Report**

## Summary of Revenue Assumptions

The following table summarizes the fill-up assumptions for the Community during the projection period.

Fiscal Year/Month	Independent Living Move-in Schedule			Assisted Living Units Move-in Schedule			Skilled Nursing Beds Move-in Schedule		
	<i>Cumulative</i>			<i>Cumulative</i>			<i>Cumulative</i>		
	Quarterly Move-ins Net	Unit Total	Unit % <sup>(1)</sup>	Quarterly Move-ins Net	Unit Total <sup>(2)</sup>	Unit % <sup>(1)</sup>	Quarterly Move-ins Net	Bed Total	Bed % <sup>(1)</sup>
<i>Occupancy on December 31, 2020</i>		36	18%		13	14%		7	25%
<b>2021</b>									
1 <sup>st</sup> Quarter	10	46	23%	9	22	24%	9	16	57%
2 <sup>nd</sup> Quarter	18	64	32%	6	28	31%	5	21	75%
3 <sup>rd</sup> Quarter	19	83	42%	9	37	41%	3	24	86%
4 <sup>th</sup> Quarter	24	107	54%	9	46	51%	3	27	96%
<b>2022</b>									
1 <sup>st</sup> Quarter	18	125	63%	9	55	61%	-	27	96%
2 <sup>nd</sup> Quarter	15	140	70%	9	64	71%	-	27	96%
3 <sup>rd</sup> Quarter	18	158	79%	8	72	80%	-	27	96%
4 <sup>th</sup> Quarter	12	170	85%	6	78	87%	-	27	96%
<b>2023</b>									
1 <sup>st</sup> Quarter	6	176	88%	3	81	90%	-	27	96%
2 <sup>nd</sup> Quarter	5	181	91%	-	81	90%	-	27	96%
3 <sup>rd</sup> Quarter	6	187	94%	-	81	90%	-	27	96%
4 <sup>th</sup> Quarter	2	189	95%	-	81	90%	-	27	96%
<b>Total</b>		<b>189</b>	<b>95%</b>		<b>81</b>	<b>90%</b>		<b>27</b>	<b>96%</b>

Source: Management

(1) Cumulative occupancy is based on 199 available Independent Living Units, 90 Assisted Living Units and 28 Skilled Nursing Beds.

(2) 22 Assisted Living Units, utilized to provide memory support services, are anticipated to be available for occupancy in July 2021.

**See Independent Accountants' Compilation Report**

The following table summarizes the assumed utilization of the Independent Living Units, Assisted Living Units, and the Skilled Nursing Beds:

<b>Table 3 Utilization</b>			
<b>Year Ending December 31,</b>	<b>Average Units Available</b>	<b>Average Units Occupied</b>	<b>Occupied Percentage</b>
<i>Independent Living Units:</i>			
2021	199	69	35%
2022	199	144	72%
2023	199	182	91%
2024-2025	199	189	95%
<i>Assisted Living Units:</i>			
2021	90	30	33%
2022	90	65	72%
2023-2025	90	81	90%
<i>Skilled Nursing Beds:</i> <sup>(1)</sup>			
2021	28	21	75%
2022-2025	28	27	96%

Source: Management

(1) The payor mix for the Skilled Nursing Beds is assumed to be 17 percent for private pay and 83 percent for Medicare, during the projection period.

### *Independent Living and Assisted Living Revenue*

Resident service revenue for Residents living in the Independent Living Units and Assisted Living Units is based upon assumed Monthly Fees for services provided to Residents and the assumed occupancy of the Independent Living Units and Assisted Living Units. Monthly Fees for the Independent Living Units and Assisted Living Units are assumed to increase 3.0 percent annually throughout the projection period.

### *Skilled Nursing Revenue*

Resident service revenue for Residents living in the Skilled Nursing Beds is based upon assumed Daily Service Fees for services provided to Residents and the assumed occupancy of Skilled Nursing Beds. Daily Service Fees for the Skilled Nursing Beds are assumed to increase 3.0 percent annually throughout the projection period.

### *Other Revenue*

Revenue from other revenue is assumed to be generated from guest meals and other miscellaneous sources and is assumed to increase 1.0 percent annually during the projection period.

**See Independent Accountants' Compilation Report**

## Summary of Operating Expense Assumptions

### *Salaries, Wages and Employee Benefits*

Salaries, wages, and employee benefits are assumed to increase incrementally during the fill-up period, then 2.0 percent annually thereafter.

### *Non-Salary Expenses*

Non-salary expenses are assumed to increase incrementally during the fill-up period, then 2.0 percent annually thereafter.

### *Management Fee Expense*

The Company is assumed to pay the Management Fee for the day-to-day management of the Community. The Management Fee is assumed to be based on 5.0 percent of Independent Living revenue and 6.0 percent of Assisted Living and Skilled Nursing revenue.

### *Rent Expense*

Under the terms of the Lease Agreement, Cary OPCO pays Cary PROPCO a base rent amount plus surplus rent based on specific revenue breakpoints. The base rent payment is calculated on a straight-line basis over the amortization period. The monthly base rent is assumed to approximate \$171,000 throughout the projection period. The surplus rent is assumed to be calculated on varying percentages related to revenue breakpoints of approximately \$1,089,000 and \$1,535,000 for Independent Living and Healthcare Center revenue beginning in June 2022 and adjusted annually according to the terms of the Lease Agreement.

**See Independent Accountants' Compilation Report**

**Statutory Operating Reserve**

The following table summarizes the projected Statutory Operating Reserve, which is calculated as a percentage of the Company's projected cash operating expenses.

	2021	2022	2023	2024	2025
Projected operating expenses	\$ 13,439	\$ 21,070	\$ 25,980	\$ 26,314	\$ 24,185
Add: principal payments on long-term debt	-	-	-	-	-
Subtract:					
Depreciation	-	(4)	(7)	(10)	(13)
Amortization	(22)	(36)	(41)	(35)	(37)
Projected operating expenses-adjusted	13,417	21,030	25,932	26,269	24,135
Operating reserve % required <sup>(1)</sup>	50%	50%	50%	25%	25%
Operating reserve <sup>(2)</sup>	\$ 6,709	\$ 10,515	\$ 12,966	\$ 6,567	\$ 6,034
Independent Living Units and Assisted Living Units:					
Available, beginning of year <sup>(3)</sup>	267	289	289	289	289
Occupied, beginning of year	49	153	248	270	270
Occupancy percentage	18%	53%	86%	93%	93%

Source: Management

- (1) North Carolina state statute requires an operating reserve 50% or 25% of projected operating expenses-adjusted for occupancy of independent and assisted living below 90% or 90% or above, respectively.
- (2) Management satisfies the statutory operating reserve requirement through an irrevocable standby letter of credit with a financial institution.
- (3) 22 Assisted Living Units, utilized to provide memory support services, are anticipated to be available for occupancy in July 2021.

**Current Assets and Current Liabilities**

Operating revenue as used below includes Skilled Nursing net resident service fee revenue. Operating expenses as used below exclude amortization, depreciation, and interest expense. Management has assumed working capital components based on industry experience and are outlined in the following table:

Resident accounts receivable, net	109 days of operating revenue
Prepaid expenses	9 days of operating expenses
Accounts payable and accrued expenses	16 days of operating expenses
Accrued payroll and related withholdings	19 days of operating expenses

Source: Management

**See Independent Accountants' Compilation Report**

EXHIBIT E

CONTRACT FOR INDEPENDENT LIVING CONTINUING CARE

[ATTACHED]



## **Residency and Care Agreement**

**215 Brightmore Drive  
Cary, North Carolina 27518  
(984) 200-3688**

**5/31/2020**

**Term of Agreement Begins:  
("Occupancy Date"): \_\_\_\_\_**

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# THE TEMPLETON OF CARY

## RESIDENCY AND CARE AGREEMENT

This RESIDENCY AND CARE AGREEMENT (the “Agreement”) is made this \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between CARY SENIOR HOUSING I OPCO, LLC, a Delaware for-profit limited liability company registered to do business in North Carolina (“The Company” or “Community”) and \_\_\_\_\_ and \_\_\_\_\_ (herein individually or collectively called “Resident”). If two persons desire to share an Apartment enter into this Agreement, the term Resident shall apply to them jointly and severally and to the survivor of them.

### WITNESSETH:

WHEREAS, the Company leases and operates the continuing care retirement community known as The Templeton of Cary (the “CCRC”), located at 215 Brightmore Drive, Cary, North Carolina; and

WHEREAS, the Resident desires to use and occupy an apartment unit (referred to herein as an “Apartment”) located in the CCRC’s rental independent living building (the “Independent Living Building”); and

WHEREAS, and the Company desires to make the selected Apartment available to the Resident.

NOW, THEREFORE, FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which the parties hereto acknowledge, and the full and faithful performance of all terms, covenants and conditions herein contained, the Resident and the Company hereby agree as follows:

1. Eligibility Requirements and Procedures.

The Resident will be qualified for admission as an occupant of the CCRC on the following terms and conditions:

- a. Age Criteria. The requirements for admission into the CCRC are nondiscriminatory except as to age. Admission is restricted to persons sixty-two (62) years of age or older with the exception of a younger second occupant. An underage second occupant may be approved for residency in the Apartment in the Company’s sole discretion but must, at a minimum, be at least fifty (50) years of age and meet the other requirements for residency in the CCRC. The Company reserves the right to limit the number of residents under the age of sixty-two (62) that will live in the CCRC.
- b. Preliminary Health Screen. The Resident must be capable of living independently and must satisfy the then current independent living criteria as published by the Company, which criteria may be amended from time to time in the Company’s sole discretion. The Resident shall provide to the Company an internal preliminary health screen (the “Preliminary Health Screen”) substantially in the form attached

to the Apartment Selection Agreement executed by the Resident and the Company dated as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Apartment Selection Agreement"), completed by the Resident's primary physician and certifying that the Resident meets the independent living criteria within the period outlined in Section 1.e. of this Agreement.

- c. Apartment Selection Agreement. At the time of selecting an Apartment, the Resident completed an Apartment Selection Agreement and submitted it to the Company along with an Apartment Selection Fee and Community Fee, as defined in Sections 7.a. and 7.b., respectively, of this Agreement. In the event of any conflict between the provisions of the Apartment Selection Agreement and this Agreement, the provisions of this Agreement shall control.
- d. Disclosure Statement. Upon execution of this Agreement, the Company will provide the Resident a copy of the CCRC's Disclosure Statement (the "Disclosure Statement") which fully describes the organization, facilities, policies, services, fees, financial condition, projections, and the vital information related to the CCRC. Included in the Disclosure Statement is a copy of this Agreement.
- e. Application. Within thirty (30) days of execution of the Apartment Selection Agreement, the Resident will complete a Preliminary Health Screen and a confidential financial statement, all on the forms provided by the Company, and deliver the same (all such documents collectively referred to herein as, the "Application Forms") to the Company.
- f. Interview. The Resident must have an interview with a representative from the Company prior to being approved for residency in the CCRC. This interview may include a non-medical assessment of the Resident(s) as an initial step in determining the whether the requirements for residency may be met.
- g. Financial Condition. The Company must be satisfied that the Resident has the financial income and assets to pay the Monthly Service Fee (as defined in Section 7.d. of this Agreement), extra meal charges, charges for additional services, personal living expenses, and the future adjustments of these charges during the term of this Agreement. Immediately prior to the Occupancy Date (as defined in Section 1.n. of this Agreement), the Resident will affirm to the Company that the Resident's financial situation does not differ materially or adversely from the financial situation as presented in the Application Forms (substantially in the form attached to the Apartment Selection Agreement). If the Resident's then personal financial situation differs materially and adversely from the Resident's prior financial situation, the Company may terminate this Agreement. After the Occupancy Date, the Company may require updated financial information. In the case of two Residents occupying an Apartment, and in the event of the death of one of the occupants, the surviving Resident will be required to submit an update of the original Application Forms within thirty (30) days after the Company's request for the same.

- h. Health Insurance. Prior to the Occupancy Date, the Resident shall provide evidence of health insurance coverage to the Company at a level reasonably satisfactory to the Company.
- i. Review of Application. The Company will review the completed Application Forms as a basis for initial approval for residency in the CCRC. The Company will accept or deny an application based on the criteria and policies it has established, as the same may be amended from time to time. The Company will notify the Resident in writing of its decision on the application.
- j. Physician's Report. Thirty (30) days prior to the Occupancy Date (as defined in Section 1.o. of this Agreement), the Resident is required to submit to the Company an updated Preliminary Health Screen. The Company will respect the privacy of the Resident's personal health information and is committed to maintaining the Resident's confidentiality.
- k. Representations and Warranties. The Resident affirms that the representations made in the Application Forms or other statements of financial capability are accurate and reflect the Resident's current status. The Resident acknowledges that such representations are the basis for which the Company agrees to enter into this Agreement.
- l. Authorization to Release Medical Information. As a part of the application process, the Resident agrees to execute any such authorization forms as required by the Company to obtain the information concerning the Resident's medical history and condition necessary to enable the Company to adequately evaluate whether the Resident is appropriate for residency in the CCRC.
- m. Will, Durable Power-of-Attorney and Healthcare Directives. Thirty (30) days prior to the Occupancy Date, the Resident shall have in place a valid and enforceable will, identifying an Executor of the Resident's estate, that provides for the distribution of his or her assets and personal effects. Such will or other document of instruction shall include adequate provisions regarding burial or cremation directions and other funeral arrangements. Furthermore, prior to the Occupancy Date, the Resident shall deliver, and during the term of this Agreement shall maintain, a valid and effective North Carolina Durable Power of Attorney (the "Power-of-Attorney") and a living will or health care Power-of-Attorney (the "Health Directive") enforceable in accordance with the laws of the State of North Carolina. The Power-of-Attorney shall designate as the Resident's attorney in-fact any responsible person, including but not limited to, a lawyer, banker, or relative, to act on behalf of the Resident in the managing of the Resident's affairs and filing of the Resident's insurance or other benefits as fully and completely as if the Resident were acting personally. The Power-of Attorney shall be in such form that survives the Resident's incapacity or disability and otherwise be satisfactory to the Company. The Health Directive shall name a responsible person capable of making health care decisions in the case of incapacity or emergency.

- n. Notification of Availability. If the Resident is approved for residency in the CCRC, the Company will notify the Resident of the projected date of availability for occupancy (the “Notice of Availability Date”) and the Resident will have sixty (60) days from date of the Notice of Availability Date to occupy the Apartment (the date of occupancy hereinafter referred to as the “Occupancy Date”) and begin paying the Monthly Service Fee. If the Resident is not approved for residency in the CCRC, this Agreement shall be terminated and all payments made by the Resident before such termination, less those costs or other charges that are non-refundable pursuant to the terms of this Agreement, shall be refunded by the Company within thirty (30) days.

2. Basic Services and Programs.

Subject to the terms and conditions of this Agreement, the following basic services (collectively “Basic Services”) are included in the Monthly Service Fee (defined below):

- a. Description of Apartment. The Resident shall be entitled to the exclusive use of Apartment \_\_\_\_\_ located in the CCRC’s Independent Living Building.
- b. Appliances and Furnishings. The Apartment shall include the following appliances and furnishings:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Window coverings                   | <input checked="" type="checkbox"/> Standard flooring        |
| <input checked="" type="checkbox"/> Electric range                     | <input checked="" type="checkbox"/> Self-cleaning oven       |
| <input checked="" type="checkbox"/> Refrigerator/freezer with icemaker | <input checked="" type="checkbox"/> Garbage disposal         |
| <input checked="" type="checkbox"/> Microwave                          | <input checked="" type="checkbox"/> Dishwasher               |
| <input checked="" type="checkbox"/> Washer and dryer                   | <input checked="" type="checkbox"/> Smoke and fire detectors |
| <input checked="" type="checkbox"/> Climate control system             | <input checked="" type="checkbox"/> Hot water heater         |
| <input checked="" type="checkbox"/> 24-hour emergency call system      | <input checked="" type="checkbox"/> Other permanent fixtures |

All other appliances and furnishings are to be provided by Resident.

- c. Utilities. The following utility fees are included in the Monthly Service Fee:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Heating                | <input checked="" type="checkbox"/> Air conditioning |
| <input checked="" type="checkbox"/> Water                  | <input checked="" type="checkbox"/> Sewer            |
| <input checked="" type="checkbox"/> Gas                    | <input checked="" type="checkbox"/> Electricity      |
| <input checked="" type="checkbox"/> Basic cable television | <input checked="" type="checkbox"/> Pest control     |
| <input checked="" type="checkbox"/> Trash removal          |  |

- d. Meals. As part of the Monthly Service Fee, the Resident shall be given a monthly declining balance meal plan credit (the “Declining Balance Meal Credit”). The Resident shall be entitled to dine in any of the CCRC’s dining options and charges for the food and beverages, except for alcoholic beverages, of the Resident and any guest of the Resident shall be deducted from such Declining Balance Meal Credit.

Upon termination of this Agreement, any unused portion of the Declining Balance Meal Credit shall be forfeited. If the monthly charges of the Resident exceed the amount of the monthly Declining Balance Meal Credit, such additional charges shall be billed to the Resident on a monthly basis.

- e. Maid Service. The Resident agrees to keep the Apartment in a clean and orderly condition. On a weekly basis, the Company will provide basic housekeeping services in the Apartment. Please refer to basic cleaning schedule provided to resident at time of move in.
- f. Maintenance Services. The Company will be responsible for normal wear and tear, maintenance and replacement of the property, furnishings and equipment owned by or leased by the Company for use in the CCRC. The Resident will be responsible for any damage to such property, furnishings and equipment, including the cost of repair or replacement or the diminution in value thereof, caused by the Resident, the Resident's guests or the Resident's pets. The Resident will be responsible for the maintenance and repair of the Resident's personal property.
- g. Changes to Apartment. Any structural or physical change or redecoration and remodeling of any kind within or outside the Apartment may only be made by the Resident only with the prior written consent of the Company, which shall be granted at the Company's sole discretion, and at the sole expense of the Resident. All such improvements or changes shall be the property of the Company. Upon vacating the Apartment, the Resident, or the Resident's estate, shall be responsible for the costs of returning the Apartment to the condition that existed prior to the Resident taking possession of the Apartment.
- h. Grounds Keeping. The Company will maintain and repair the CCRC's grounds, including lawns, trees and shrubbery. Personal plantings and customization of landscaped areas are subject to the Company's approval.
- i. Use of CCRC Common Areas. The Resident has the non-exclusive right, along with other residents, to use the CCRC's common areas, including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreational rooms and designated outdoor activity areas.
- j. Use of the Wellness Center. The Company will provide health and wellness programs and services at its on-site wellness center (the "Wellness Center"), including use of fitness equipment, exercise classes, use of an indoor heated pool and certain wellness education programs. The Resident will be advised of any required fee for a wellness program before enrolling in such program.
- k. Programs. Recreational, social, educational and cultural programs will be coordinated by the CCRC's staff. Some activities are subject to an additional charge.
- l. Parking. The Company will provide parking areas for one personal vehicle and limited parking for the Resident's guests.

- m. Transportation. The Company will provide scheduled transportation to locations routinely visited by residents of the CCRC such as shopping centers, medical offices and social events. Some transportation is subject to an additional charge.
- n. Emergency Response System. The Company will provide, on a twenty-four (24) hour basis, an emergency call system. Response to a call shall be limited to an evaluation of the Resident's needs. If other medical response is determined to be necessary, the Resident is responsible for any costs associated with such other medical response, including emergency medical transportation.
- o. Insurance. The Company will maintain general liability and hazard insurance on the property within the CCRC owned or leased by the Company, but will not be responsible for the Resident's personal property.

3. Optional Services.

A schedule of fees for services provided at extra cost including, but not limited to those optional services described below (collectively "Optional Services"), shall be established by the Company and shall be made available to the Resident. The Optional Services currently expected to be offered by the Company include the following:

- a. Transportation Services. If the Resident requests transportation in addition to that provided as a Basic Service, the Company may provide such transportation service provided that the Company has adequate transportation staff available at such date and time and to destinations that the Company identifies as being within the geographic area of transportation services.
- b. Food Services. If the Resident requests food services or catered services in addition to those provided as a Basic Service, the Company may provide such additional food services or catered services for an additional cost.
- c. Tray Service. The Resident may request that meals be delivered to the Apartment ("Tray Service") for a delivery charge; provided however, that Tray Service may not be requested for more than three (3) consecutive days except at a physician's or nurse's direction.
- d. Activities. Due to their special nature, a special fee may be required for some wellness and life enrichment programs.
- e. Additional Maid Service. If the Resident requests or requires housekeeping services in addition to those provided as a Basic Service, the Company may provide such services if staff is available to provide such services.
- f. Spa Services. Spa and personal care services in the Wellness Center will be available in accordance with a published fee schedule.
- g. Upgraded Television Channels. Upgraded television channels will be available to the Resident in accordance with a published fee schedule.

- h. Additional Parking. Additional parking, including garage parking if available, may be made available to the Residents in accordance with a published fee schedule.
- i. Personal Emergency Transmitter. The provision of a Personal Emergency Transmitter (“PET”) which shall transmit to the CCRC Concierge Desk.

4. Terms of Residence.

- a. Term of Agreement. The initial term of this Agreement shall be for thirteen (13) months beginning on the Occupancy Date (the “Term”). After the initial Term, this Agreement will automatically renew for additional thirteen (13) month periods, unless terminated in accordance with Section 8 below. Prior to the expiration of the initial Term or any renewal Term, the Company reserves the right to present the Resident with a new version of the Company Residency and Care Agreement for signature by the Company and the Resident.
- b. Nature and Extent of Rights. The Resident’s right to occupy the Apartment shall exist and continue unless terminated as provided in this Agreement. Nothing contained herein shall be construed or is intended to require that The Company care for the Resident after expiration or termination of this Agreement..
- c. Terms of Occupancy. Signing of this Agreement does not deliver title to real or personal property, and this Agreement may not be assigned, transferred, inherited or devised. Any rights, privileges, benefits, or interests created by or under this Agreement shall be subordinated to any mortgage, deed of trust, or other security interest created on any of the premises or interests in the real estate comprising the CCRC and to all amendments, modifications, replacements or refunding thereof. The Resident agrees to execute and deliver any document required by the Company or by the holder of any mortgage, deed of trust or other interest to evidence or effect such subordination.
- d. Alteration or Modification. Notwithstanding any other provisions in this Agreement, the Company may alter or modify the Apartment to meet requirements of any statute, law or regulation of the federal, state or local Government. The Resident may not, without prior written consent of the Company, make any alterations or modifications to the Apartment.
- e. Use. The Apartment shall be used for residential purposes only and shall not be used for business or professional purposes, or in any manner in violation of any zoning or health ordinances.
- f. Permitted Occupants. The Resident(s) named herein and no other person shall reside in or occupy the Apartment during the term of this Agreement, except with the express prior written approval of the Company. If a second occupant who is not a party to this Agreement is accepted for residency in the CCRC after the date of this Agreement, such acceptance shall be subject to the approval of the Company and adherence to policies then governing all other admissions and such second

resident shall enter into a Residency and Care Agreement. If the second occupant does not meet the requirements for residency, or does not execute a Residency and Care Agreement, he or she shall not be permitted to occupy the Apartment.

- g. Transfers. Should the Resident desire to transfer to another Apartment, the Resident must notify the Company in writing. Following receipt of this request, and subject to availability, the Company may grant the Resident an option to move to the next available Apartment of the size requested. Upon transfer to a new residence, the Monthly Service Fee for the month in which the move takes place shall be prorated to reflect the percentage of the month that the Resident spends in each type of residence. With all transfers, there will be an up-fitting charge for the vacated residence based on the current rate established by the CCRC at the time of the transfer. The Resident will move all furnishings and belongings to the new residence within ten (10) days of the established occupancy date for the new residence. Any moving expense will be the responsibility of the Resident.
- h. Death or Transfer of One Resident. If one of the Residents named herein dies, moves out or is permanently transferred to the Healthcare Center or any other nursing center, the remaining Resident will continue to be bound by the terms of this Agreement except that the Monthly Service Fee will be reduced to the single occupancy rate then in effect.
- i. Rules and Regulations. The Resident and its guests and invitees shall comply in all respects with the CCRC's operating rules and regulations (the "Rules and Regulations") established by the Company from time to time. The Company may revise or amend such Rules and Regulations at any time in its sole discretion. A copy of the Rules and Regulations will be made available to the Resident.
- j. Pets. Subject to the prior written consent of the Company, which such consent shall be at the sole and absolute discretion of the Company, pets may be permitted in the Apartments. All pets must be on a leash at all times while not in a Resident's Apartment. Pets must be healthy, have current shots and rabies immunization, and be free of fleas and other parasites. The Resident must provide the Company with documentation that their pets have received all required shots and immunizations. The Resident is responsible for any costs expended by the Company for the failure of the Resident to adhere to the CCRC's pet policy, including, but not limited to, the cost of disinfection, cleaning and fumigation. Pets are prohibited in the dining spaces, the Wellness Center, the multipurpose room, the chapel, and the art space and activity rooms. The Resident understands and agrees that the pet must be removed from the Apartment, upon fourteen (14) days' prior written notice from the Company, if the pet becomes a nuisance to other residents of the CCRC, as determined by the Company in its sole and absolute discretion. The Resident agrees that if the Resident has been approved to have a pet living in the Apartment, and elects to do so, the Resident shall pay a non-refundable pet fee in the amount posted at the time the pet is registered.



- k. Smoking Policy. The CCRC is smoke-free. No smoking is permitted in the Apartment (to include any balconies) or in any other building or location in or on the CCRC's premises. The Resident agrees to abide by the CCRC's Rules and Regulations concerning smoking.

5. Nursing and Healthcare Services.

The CCRC will provide the Resident temporary or permanent assisted living services, assisted housing with services, and skilled nursing services (the "Healthcare Services") in the healthcare center adjacent to the CCRC (the "Healthcare Center"). A number of the beds in the Healthcare Center have been designated as "closed beds" under state laws and/or regulations and, as such, are reserved for Residents (the "Closed Beds"). In the event that these Closed Beds are fully occupied, the Resident will be given priority access to the available unreserved beds (the "Open Beds"). Service in the Healthcare Center shall be provided within the limits of the Company's license.

If the appropriate level of Healthcare Services based upon the needs of the Resident may not be obtained or are not provided within the Healthcare Center, such level of care must be obtained from another provider of healthcare services, including, but not necessarily limited to, a hospital, and the costs of those services shall be the sole responsibility of the Resident. The Resident (i) acknowledges and agrees that the Company will not be responsible for any claims, damages or expenses resulting from injury or death suffered by the Resident that is caused by, attributable to or in any way connected with the negligence or intentional acts or omissions of the physicians, employees or agents of any such other provider of healthcare services and (ii) releases the Company from liability for any such claims, damages or expenses.

6. Transfers of Resident

- a. Direct Transfer to the Healthcare Center. If after the execution of this Agreement and prior to the Occupancy Date, the Resident's health or mental condition is such that, in the sole discretion of the Company, the Resident no longer meets the qualifications to live independently in the CCRC, and this Agreement is not otherwise terminated, the Resident may be transferred directly to the Healthcare Center. All fees and other charges due must be paid prior to any direct transfer. In the event there is more than one Resident occupying the Apartment, and one Resident is transferred directly to the Healthcare Center, the other Resident shall continue to be obligated under this Agreement and pay the required Monthly Service Fee applicable to a single resident.

In the event the Healthcare Center is not yet completed and licensed to operate and the Resident's health or mental condition is such that, in the sole discretion of the Company, the Resident is precluded from living independently in the CCRC (the "Healthcare Transfers"), the Company will enter into a Transfer Agreement with a skilled nursing facility in reasonable proximity to the Company (the "Transfer Facility") pursuant to which the Transfer Facility shall agree to accept appropriate Healthcare Transfers from the Company. The Company will provide transportation

to the Healthcare Transfers to the Transfer Facility until such time as the Healthcare Center is available; provided however, the cost of the care at such Transfer Facility will be the responsibility of the Healthcare Transfer.

- b. Transfers to the Healthcare Center. The Resident agrees that the Company shall have the right to determine whether the Resident should be temporarily or permanently transferred from the Apartment to the Healthcare Center or from one level of care at the Healthcare Center to another level of care at the Healthcare Center. Such determination shall be in the Company's sole discretion and based on the professional opinion of the medical director of the Healthcare Center and the executive director of the CCRC that the Resident is no longer able to live independently or that living in the Apartment will endanger the Resident or the health and/or safety of others. Should the Resident fail to cooperate with a transfer of the Resident requested by the Company, the Company shall have the right to terminate this Agreement and the Resident shall no longer be permitted to live in the CCRC.
- c. Transfer Outside the CCRC. If, in the opinion of the Company, the physical or mental condition of the Resident requires services beyond that which can be provided by the facilities or personnel in the CCRC and the Healthcare Center or is beyond the scope of the services provided for in this Agreement, the Company may require that the Resident be temporarily or permanently transferred to a hospital, center, institution or other care environment equipped to give such care; provided however, the cost of the care at any such outside facility will be the responsibility of the Resident.
- d. Relinquishment of Apartment upon Permanent Transfer to the Healthcare Center or Outside Facility. If, in the sole discretion of the Company, the Resident's transfer to the Healthcare Center or to an outside facility is considered permanent, the Resident shall relinquish the Apartment and this Agreement shall terminate, unless there is a second Resident currently occupying the Apartment or unless otherwise approved by the Company.

7. Fees and Charges.

The following is a list of the fees and charges expected to be charged to the Residents of the CCRC.

- a. Apartment Selection Fee. Upon the execution of the Apartment Selection Agreement, the Resident paid an Apartment Selection Fee (the "Apartment Selection Fee") as identified in Exhibit A attached hereto. The Apartment Selection Fee is a nonrefundable fee (except as defined in Section 7.i. of this Agreement) and shall be applied to the first month's Monthly Service Fee.
- b. Community Fee. Upon the execution of the Apartment Selection Agreement, the Resident paid a Community Fee (the "Community Fee") as identified in Exhibit A attached hereto. The Community Fee is a one-time, nonrefundable fee (except as

defined in Section 7.i. of this Agreement) which entitles Residents priority access to all services and amenities of the Community. A Community Fee will not be charged to Residents upon any renewal of this Agreement.

- c. Security Deposit Fee. Upon the execution of this Agreement, the Resident shall make a Security Deposit payment to the Company equal to one Monthly Service Fee payment (the "Security Deposit"), which shall be deposited in accordance with statute, law or regulation of the federal, state, and local Government. If the Resident has complied with all terms of the Agreement and returns the Apartment in the same or materially similar condition as when the Resident moved into the Apartment, the Company will return the Security Deposit to the Resident within thirty (30) days after the Resident's move-out date. The Security Deposit shall be credited to the Resident as the last Monthly Service Fee payment in the event of the Resident's death. In the event that the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit shall be forfeited to the Company. The Resident is additionally responsible for any expense incurred by the Company resulting from damages to the Apartment that are in excess of the Security Deposit. In the event that the Resident has entered into a Priority Partner Agreement (the "Priority Partner Agreement") and paid a refundable deposit to the Company (the "Priority Deposit"), the Priority Deposit shall be applied to the amount due as the Security Deposit.
  
- d. Monthly Service Fees. Throughout the Term, the Resident shall pay to the Company a Monthly Service Fee (the "Monthly Service Fee") in the amount of \$\_\_\_\_\_, as described on Exhibit A attached hereto, for a single Resident. If the Apartment will be occupied by two Residents pursuant to this Agreement, an additional monthly amount of \$\_\_\_\_\_ shall be paid by the second Resident. The Monthly Service Fee shall be paid by the Resident on or before the fifth (5<sup>th</sup>) day of each month for Basic Services to be rendered that month with the first payment due on or before the Occupancy Date. The Monthly Service Fee shall be due regardless of whether or not the Apartment is actually occupied by the Resident on the scheduled Occupancy Date and such Monthly Service Fee will not be adjusted if the Resident is voluntarily absent from the CCRC at any time after such date. If the Resident obtains possession of the Apartment prior to the first of a month, the Resident shall pay the Company the first Monthly Service Fee on a pro-rata basis based on the actual number of days contained in the month. If this Agreement does not terminate at the expiration of the initial Term or a renewal Term, the Monthly Service Fee may continue to be payable beyond the date of termination as set forth in Section 7 below.
  
- e. Adjustments to Monthly Service Fees. The Company reserves the right to change the amount of the Monthly Service Fee upon thirty (30) days' written notice prior to any renewal of this Agreement. Adjustments to the Monthly Service Fee will be made as may be reasonably necessary according to the economic requirements and conditions of the CCRC, the level and quality of services provided to the residents of the CCRC and consistent with operating on a sound financial basis.

- f. Fees for Optional Services. The Resident shall receive a monthly statement from the Company showing the total amount of fees and other charges owed by the Resident, which shall be paid by the fifth (5th) day of each month. A list of fees for recurring optional services (“Optional Services”) the Resident has elected to purchase as of the date of this Agreement is attached hereto as Exhibit A.
- g. Healthcare Center Fees and Charges. The Healthcare Center will consist of accommodations, equipment and staffing necessary for assisted living, assisted housing with services, skilled nursing care and memory care services on a temporary or permanent basis. The Company shall establish and publish per diem rates for accommodations and services at the Healthcare Center. Each calendar year, the Resident shall receive a ten percent (10%) discount on fees the Resident accrues during its first thirty (30) days of residency in the Healthcare Center (each day being a “Discounted Fee Day”). The Resident may not carry any unused Discounted Fee Days over to the following calendar year. Fees for residency in the Healthcare Center shall otherwise be payable in accordance with the Residency and Care Agreement and in accordance with the then published Healthcare Center per diem charge.
- h. Fees for Occupancy in the Healthcare Center. In the event the Resident is transferred to the Healthcare Center, as determined in the sole discretion of the Company, the Resident shall pay the then published Healthcare Center per diem charge plus charges for other services not included in the Healthcare Center per diem charge, subject to available Discounted Fee Days. In addition, the Resident shall continue to be responsible for the Monthly Service Fee and other charges payable under this Agreement.
- i. Refund of Fees. If the Resident cancels during the Rescission Period (as defined in Section 8.a.i of this Agreement), the Priority Deposit, Apartment Selection Fee, Community Fee and Security Deposit (and any other fees paid by Resident) in accordance with this Residency and Care Agreement will be refunded to the Resident, without interest, less a service charge of One Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at Resident’s request and set forth in Exhibit A of this Agreement or in writing in a separate addendum to the Agreement, signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company’s receipt of the Resident’s written notice of rescission. The Apartment Selection Fee and the Community Fee become non-refundable after the Rescission Period. The Security Deposit Fee is refundable and will be returned to the Resident within thirty (30) days after the Resident’s move-out date if the Resident has complied with all terms of the Agreement and returns the Apartment in the same or materially similar condition as when Resident moved into the Apartment. If the Resident breaches or otherwise violates the Agreement before the end of the last month of occupancy by the Resident, then the Security Deposit Fee shall be forfeited to the Company.

- j. Late Charges. The Company will charge a one percent (1%) late payment charge per month on any Monthly Fees and extra charges that have not been paid within five (5) days after their due date.

8. Termination.

- a. Termination by Resident. Upon the termination of this Agreement, the Resident shall have no further right to reside in the CCRC. The Agreement may be terminated or cancelled by the Resident under the following terms and conditions:
  - i. Rescission During First Thirty (30) Days. The Resident may terminate this Agreement for any reason within thirty (30) days following the later of the execution of this Agreement or receipt by the Resident of the Disclosure Statement (the “Rescission Period”), and the Resident is not required to move into the facility before expiration of the Rescission Period. The Resident’s termination of this Agreement during the Rescission Period is without penalty, and all payments made by the Resident before such termination, less a service charge of One Thousand Dollars (\$1,000.00) and less any charges specifically incurred by the Company at the Resident’s request and set forth in Exhibit A of this Agreement or in writing in a separate addendum to the Agreement signed by the Resident and the Company. Any refund shall be paid within thirty (30) days after the Company receives written notice of the Resident’s election to terminate this Agreement.
  - ii. Termination After Rescission Period but Prior to the Occupancy Date. For Residents electing to reside in an Apartment, the Resident may terminate the Residency and Care Agreement for any reason after the Rescission Period but prior to the Occupancy Date upon written notice to the Company. In the event of such termination, the Resident shall be entitled to a refund of all monies paid to the Company, except, as the case may be, the Community Fee, the Apartment Selection Fee, and any costs or other charges that the Resident and the Company agree in advance are non-refundable.
  - iii. General Termination Right. The Resident may terminate this Agreement at any time for any reason by giving the Company thirty (30) days’ written notice signed by the Resident (or both of them if there are two Residents). In the event of termination by the Resident for reasons other than those permitted in this Agreement, the Resident shall pay the Company for all Optional Services rendered by the Company to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident’s personal belongings are removed from the Apartment. In addition, the Resident shall be responsible for payment of liquidated damage of one month’s rental charge, calculated at the existing market rate.

b. Termination by Death or Serious Illness

- i. Termination by Death or Serious Illness Prior to the Occupancy Date. If, prior to the Occupancy Date, the Resident dies or is precluded from living in the CCRC under the terms of this Agreement as a result of serious illness, injury, non-qualification or incapacity, this Agreement will automatically terminate. In the event this Agreement is terminated as provided for in this subsection, the Resident or the Resident's estate shall be entitled to a refund of any amounts paid to the Company, except, as the case may be, a service charge of One Thousand Dollars (\$1,000.00) and for costs or other charges that the Resident and the Company agree in advance are non-refundable. Such refund shall be paid by the Company within thirty (30) days after this Agreement is terminated pursuant to this subsection. The foregoing notwithstanding, if there is more than one Resident, this Agreement will continue to be binding on the surviving or eligible Resident until this Agreement is terminated as to or by the surviving Resident as provided for herein.
- ii. Termination by Death or Serious Illness After the Occupancy Date. If the Resident dies after the Occupancy Date or the Resident is precluded from living in the CCRC under the terms of this Agreement as a result of serious illness, injury, or incapacity and the serious illness, injury or incapacity is not otherwise addressed by the provisions of Section 6, then this Agreement shall terminate. In such event, the Resident or the estate of the Resident shall pay for any Optional Services rendered to the Resident through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment and the Apartment can be made ready for re-occupancy. The foregoing notwithstanding, if there is more than one Resident, this Agreement will continue to be binding on the surviving or eligible Resident until this Agreement is terminated as to or by the surviving Resident as provided for herein.

c. Termination by the Company

- i. Termination by the Company Prior to the Occupancy Date. If, in the Company's sole discretion, the Resident does not satisfy the criteria for occupancy in the CCRC, this Agreement shall terminate upon the Company's notification to the Resident of non-approval. In such event, all amounts paid to the Company shall be refunded to the Resident within thirty (30) days after the Company provides the Resident notice of non-approval.
- ii. Termination by The Company after the Occupancy Date. The Company may terminate this Agreement upon thirty (30) days written notice to the Resident in the event of the following:

- (1) The Resident fails to make payments to the Company of any amounts when due and such failure is not cured within fifteen (15) days after notice is given to the Resident;
- (2) The Resident consistently fails to comply with any term of this Agreement not involving the payment of money or any provisions of the Rules and Regulations and the Resident fails to cure such non-compliance within seven (7) days after written notice from the Company; or
- (3) The Resident or the Resident's authorized representative makes a material misrepresentation or omission in the information provided to the Company for its consideration of the Resident for residency in the CCRC.

- iii. Immediate Termination. If The Company determines in its sole and absolute discretion that the Resident's behavior interferes with or threatens to interfere with the safety of the Resident or the quiet enjoyment or safety of other residents, visitors and/or staff of the CCRC, or if the Resident's behavior is a detriment to other residents, visitors, and/or staff of the CCRC, the Company may immediately terminate this Agreement and the Resident shall promptly vacate the Apartment. In such event, the Resident shall pay the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until all of the Resident's personal belongings are removed from the Apartment.
- iv. Effect of Termination by the Company after the Occupancy Date. In the event the Company terminates this Agreement after the Occupancy Date pursuant to subsection c.ii or c.iii above, the Resident shall promptly vacate the Apartment, but shall pay the Company for all Optional Services rendered by the Company through the date of termination and shall continue to be liable for the Monthly Service Fee until the date that all of the Resident's personal belongings are removed from the Apartment.

9. Miscellaneous

- a. Entire Agreement. This Agreement contains the entire agreement between the Resident and the Company. All prior discussions, agreements and negotiations are superseded by this Agreement.
- b. Successors and Assigns. The rights and privileges of the Resident under this Agreement, including but not limited to the right to and use the facilities of the CCRC under the terms of this Agreement, may not be transferred or assigned under any circumstances. The Company may transfer or assign this Agreement without the consent of the Resident. Except as provided for herein, this Agreement shall bind and inure to the benefit of the successors and assigns of the Company and to

the heirs, executors, personal representatives, any attorney-in-fact and administrators of the Resident.

- c. Severability. If any provisions of this Agreement are held to be invalid or unenforceable, such invalidity or unenforceability will not affect any other provision of this Agreement and this Agreement shall be construed and enforced as if such provision had not been included.
- d. Indemnity. The Resident shall indemnify, defend and hold the Company harmless from any and all claims, damages or expenses, including attorney's fees and court costs, resulting from any injury or death to persons or damage to property caused by, resulting from, attributable to or in any way connected to the Resident's negligence or intentional act or omission.
- e. Joint and Several Liability. If there is more than one Resident, the rights and obligations of each of the Residents are joint and several, unless otherwise provided in this Agreement.
- f. Notice Provisions. Any notices, consents or other communications to the Company shall be in writing and addressed to all of the following parties:

Executive Director  
Cary Senior Housing I OPCO, LLC  
215 Brightmore Drive  
Cary, NC 27518

The Resident's address for the purpose of receiving notice under this Agreement prior to the Occupancy Date will be the address following the Resident's signature below. The address of the Resident for purposes of receiving notice under this Agreement after the Occupancy Date shall be the address of the Apartment.

- g. Religious or Charitable Affiliations. The Company is not affiliated with any religions or charitable organization
- h. Acknowledgement of Receipt of Disclosure Statement. The Resident acknowledges that the he or she has received a copy of the current Disclosure Statement of the CCRC.

Initials          Resident          \_\_\_\_\_  
  
                         Resident          \_\_\_\_\_

- i. Reading and Signing of Agreement. By signing this Agreement below, the Resident represents that he or she has read and agrees to all of the terms of this Agreement.



[Signatures begin on following page]

The Company and the Resident have signed this Agreement to be effective as of the date set forth on the first page.

**RESIDENT:**

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RESIDENT:**

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CARY SENIOR HOUSING I OPCO, LLC**

By: \_\_\_\_\_  
\_\_\_\_\_, Authorized Representative

Date: \_\_\_\_\_

**EXHIBIT A – FEE SCHEDULE**

**Resident Name(s)** \_\_\_\_\_

**Unit #** \_\_\_\_\_

**Agreement Date** \_\_\_\_\_

<b>Fees Paid at Apartment Selection Execution:</b>	<b>Amount</b>
Apartment Selection Fee	
Community Fee	
Other Fees (specify):	
<b>Total amount paid at Apartment Selection Agreement execution</b>	<b>\$</b>

<b>Fees Due at Residency and Care Agreement Execution:</b>	<b>Amount</b>
Security Deposit Fee	
Less: Priority Partner Fee previously paid	(                    )
Other Fees (specify):	
<b>Total amount due at Residency and Care Agreement execution</b>	<b>\$</b>

<b>Monthly Fees:</b>	<b>Amount</b>
First Person Service Fee	
Second Person Service Fee	
Other Fees (specify):	
<b>Total monthly fees</b>	<b>\$</b>

Note that the above-listed fees do not include fees for occupancy in the Healthcare Center that are described in Section 7 of the Agreement. In addition, fees for non-recurring Optional Services selected by the Resident shall be in the amount set forth in the schedule of fees provided by the Company.

The Resident acknowledges that he or she has reviewed and hereby approves the above tables of fees payable pursuant to this Agreement.

Initials	Resident	_____
	Resident	_____

EXHIBIT F  
HISTORICAL AVERAGE DOLLAR AMOUNT OF INCREASES IN  
FEES

The following table is presented in accordance with North Carolina General Statute Section 58-64-20(a)(7)c. regarding Continuing Care Retirement Communities' Disclosure Statement requirement to show the frequency and average dollar amount of increase in the weighted average Monthly Service Fees for independent living units, Assisted Living units, and Daily Service Fees for					
	Effective	Effective	Effective	Effective	Effective
	1/1/2017	1/1/2018	1/1/2019	1/1/2020	1/1/2021
<b>Independent Living Units (Monthly Fees):</b>					
One-bedroom	*	*	*	*	\$ (309)
Two-bedroom	*	*	*	*	\$ 144
Two-bedroom with den	*	*	*	*	\$ 147
Second person fee	*	*	*	*	\$ -
<i>Independent living fees are revised annually effective January 1 and adjusted throughout the year at the time of each individual resident's contract renewal.</i>					
	Effective	Effective	Effective	Effective	Effective
	7/1/2017	7/1/2018	7/1/2019	7/1/2020	7/1/2021
<b>Healthcare Center:</b>					
Assisted Living Units (Monthly Fees):	*	*	*	*	\$ -
Memory care	*	*	*	*	\$ -
Multi-unit assisted housing with services	*	*	*	*	\$ -
Standard	*	*	*	*	\$ -
Second person fee	*	*	*	*	\$ -
<b>Skilled Nursing Beds (Daily Fees):</b>					
Private	*	*	*	*	\$ -
*Community opened independent living units in June 2020 and the healthcare center in July 2020.					